

THE SULTANATE OF OMAN

THE LAW OF INCOME TAX ON COMPANIES

Sultani Decree No. 47 of 1981

Chapter 1

Preliminary

Article 1 Short title and commencement

Article 2 Interpretation

Chapter II - Administration

Article 3 Income tax authorities

The Secretary General

Article 4 The Tax Committee

Article 4 Bis The Secretariat General

Article 5 Requirement as to confidentiality

Article 6 Forms of notices, returns etc

Article 7 Service of notices, etc.

Chapter III - Income Chargeable to Tax

Article 8 Income upon which tax is charged

Article 8 Bis Non-Taxability of Dividends

Article 8 Bis Types of incomes that are not chargeable to tax

Article 9 Provisions relating to deemed income etc

Article 10 Transactions designed to avoid liability to tax

Article 11 Profit shifting

Chapter IV - Computation of Income

Part A - Accounting and Accounting Periods

**Article 12 Provisions relating to methods of accounting
and accounting periods**

Part B - Deductions in Computing Taxable Income

Article 13 Deductions in computing income

Particular deductions allowed

Article 14 Treatment of losses

Part C - Deductions Not Allowed

Article 15 Deductions not allowed

Chapter V - Returns and Notices

Article 16 Return of income.

Article 17 Secretary General to require return of income

**Article 17 Bis Returns of Income and Notifications in the
Instance of Termination of the Company's Business**

Article 18 Production of books, attendance, etc.

Article 19 Powers of entry, inspection and removal of records, etc.

Article 20 Place for furnishing returns etc

Article 21 Extension of time for filing return etc.

Chapter VI - Persons Assessable

- Article 22** **Income of a company assessed on company**
- Article 23** **Liquidators assessable for income of company
under liquidation**
- Article 24** **Joint liability of Liquidators**
- Article 25** **Responsibility of Principal Officer and Liquidator**

Chapter VII Assessment made by the Director

- Article 26.** **Assessments made by the Director**

CHAPTER VII

The assessment made by the Secretariat General

- Article 26** **The assessment made by the Secretary General**
- Article 26 Bis** **Time fixed for Assessments**

Chapter VIII - Collection and Refund of Tax

- Article 27** **Tax debt due and payable to Government**
- Article 28** **Payment of tax in accordance with return of income**
- Article 29** **Payment of tax on demand**
- Article 30** **Additional tax for late payment**
- Article 31** **Collection of tax from person holding money for or on
behalf of a chargeable company**
- Article 32** **Auction etc.**
- Article 33** **Refund of tax**
- Article 34** **Extension of time**
- Article 34 Bis** **Time Bar**

Chapter IX - Civil Penalties

- Article 35** **Penalty for failure to furnish return of income within the time specified therefor**
- Article 36** **Penalty for failure to declare correct income, etc.**
- Article 37** **Penalty for failure to comply with the notices etc.**
- Article 38** **Right to be heard before penalty is imposed**

Chapter X - Criminal Offences and Prosecution

- Article 39** **Failure to comply with notice, etc.**
- Article 40** **Failure to declare correct income, etc.,**
- Article 41** **Abetting in offence**
- Article 42** **Officials seeking bribes, etc**
- Article 43** **Powers of the Tax Committee to compound offence**
The Tax Committee's Authority to make Conciliation
- Article 44** **Sanction of Minister for Prosecution etc.**
Referral to the Criminal Courts

Chapter XI - Objections and Appeals

- Article 45** **Objections to actions by the Director to the Minister**
- Article 46** **Appeal to the Tax Committee**
- Article 47** **Time limit for filing appeal**
- Article 48** **Procedure in hearing appeals**
- Article 49** **Powers of Tax Committee with respect to appeals**
- Article 50** **Finality of appeal**

Chapter XI

Tax objections, Contestations and Suits

Section 1:

Article 45 Objection to the Secretary General

Section 2:

Article 46 The Contestation submitted to the Tax Committee

Section 3: Tax Suits

Article 47 Court of Competent Jurisdiction and Necessary Procedures

Article 48 Filing and Registration of Tax Suits

**Article 49 Specification of the time and place of
consideration of the Suite**

**Article 50 Authorization for taking temporary,
precautionary and provisional procedures**

**Article 50 Bis Representation of the litigants
during consideration of the Suit**

Article 50 Bis 1 The Attendance or Absence of the Litigants

Article 50 Bis 2 Sessions Procedures

Article 50 Bis 3 Sessions System

Article 50 Bis 4 Reasons for Abandonment of the Litigation

Article 50 Bis 5 Rebuttals and Incidental Claims

Article 50 Bis 6 The Burden and Evidences of Proof

Article 50 Bis 7 Judgment issued on the Lawsuit

**Article 50 Bis 8 Contestation of Judgments through
the Filing of Appeals**

- Article 50 Bis 9** **Contestation by Requesting
Reconsideration of the Judgment**
- Article 50 Bis 10** **Execution of the Judgment
issued on the Lawsuit**

Chapter XII - Exceptions

- Article 51** **Provisions for exceptions**
- [Article 51 Bis : **Provisions for exceptions**
- Article 51 Bis** **Provisions for exceptions**
- Article 51 Bis 1** **Exemption to Shipping Companies**
- Article 51 Bis 2** **Exemption for foreign aviation companies**
- Article 51 Bis 3** **Exemption for investment funds**
- Article 51 Bis 4** **Exemption for companies whose main
activity is in the field of education or medical care**

Chapter XIII - Rates of Tax

- Article 52** **Rates of tax**

Chapter XIV - Miscellaneous

- Article 53** **Power of Minister to make rules**
- Article 54** **Agreements for avoidance of double taxation**

FIRST SCHEDULE
Depreciation, etc. of Capital Assets
Part I --Allowances and Charges

Paragraph 1	Depreciation allowance
Paragraph 2	Interpretation
Paragraph 3	Annual allowance
Paragraph 4 --	Balancing allowances and balancing charges
Paragraph 5 --	Restriction by reference to non-company use
Paragraph 6 --	Special provisions relating to the cost to the company, etc.,
Paragraph 7 --	Written down value at the end of exemption period
Paragraph 8 --	Prevention of double allowances
Paragraph 9 --	Subsidies
Table	Rates of Depreciation Prescribed under Article 53 of the Income Tax Law

SECOND SCHEDULE

Rates of Tax

Withholding Tax

SECOND SCHEDULE

Rates of Tax - From Tax Year 2000

**Rates of Tax. For Permanent Establishments and
all Omani Established Companies**

Withholding Tax

Special Rates of Tax

THIRD SCHEDULE

Special provisions relating to Oil Companies

Paragraph 1

Paragraph 2

Paragraph 3

THE FOURTH SCHEDULE

Transitional Provisions and Repeals

Paragraph 1

Paragraph 2

Paragraph 3

THE SULTANATE OF OMAN

THE LAW OF INCOME TAX ON COMPANIES

PART 1

Preliminary

The Law and the date from which it has effect:

Article 1 (*Short title and commencement*)

- (1) This Law shall be called The Law of Income Tax on Companies of 1981.
- (2) This Law shall have effect in all parts of the Sultanate of Oman.
- (3) Without prejudice to the provisions of paragraph (3) of the Fourth Schedule to this Law, this Law shall have effect as from the first of January 1981, and shall apply to income chargeable to tax for the tax year ending on the 31st December 1980 and the following tax years.

Article 2 (*Interpretation*)

In this Law, unless the context otherwise requires –

- (1) "the Sultan" means His Majesty the Sultan of Oman, and his successors;
- (2) "accounting period", in relation to any company, means the period for which the company makes up its accounts;
- (3) "business" includes any trade, commerce, manufacture, industry, or any venture or concern in the nature of trade, commerce, manufacture, or industry, and any services rendered;

- (4) ^{1,2}["company" means a General Partnership, Limited Partnership Company, Joint Stock Company and Limited Liability Company as defined in the Commercial Companies Law, 1974, and notwithstanding Article 3 of that Law, includes Joint Ventures, as defined in that Law, and any permanent establishment in Oman sustained by a foreign enterprise or deemed by the ³Secretary General to be sustained by a foreign enterprise;]

The term company means:

- a) any commercial or civil company whatsoever its legal form or the purpose of its incorporation and whether it is one of the companies specified in the Commercial Companies Law no. 4 of 1974 or in any other Law. The term shall include the joint ventures.
- b) Any permanent establishment in Oman which is supported by a foreign company or establishment or which is deemed by the Secretary General as supported by a foreign company or establishment.

⁴[(5) " Director " means the Director of Taxation Affairs;]

(5) The term the Secretary General means the Secretary General for Taxation.

(6) "Government" means the Government of His Majesty the Sultan of Oman;

⁵6(Bis) the term the Secretariat General means the Secretariat General for Taxation at the Ministry of Finance which is mentioned in Article 4 (Bis) of the Law”.

(7) "gross income" means income chargeable to tax under this Law but which has not been ascertained under Chapter IV;

(8) "loss" means a loss computed in the same manner as profits or gains;

(9) "Minister" means the Minister of Finance or anybody acting in such capacity;

(10) "Oman" means the Sultanate of Oman;

(11) "permanent establishment" means –

- (i) a fixed place of business in which the business of the enterprise is wholly or partly carried on;

¹ Also refer to Article 5 of Royal Decree No. 5/94, Amendments to the Law of Muscat Securities Market, which reads as follows: For taxation purposes, the Investment accounts shall be treated as companies* wholly owned by Omani nationals, and the taxation status of those companies shall not be affected by trading their shares within the Investment Account to non-Omanis. (* The term ‘companies’ means the investment accounts.)

² The text is replaced by the text printed next, RD No. 68/00, w.e.f. 15.8.2000; paragraph 4(a) shall come into force as from the tax year 2000.

³ The term “Secretary General” is substituted for the word “Director” wherever it appeared in this Law, by Royal Decree No. 100/97, w.e.f. 2.2.1998.

⁴ Paragraph (5) is substituted by Royal Decree No. 100/97 with a new text printed next, w.e.f. 2.2.1998.

⁵ Paragraph (6)(Bis) is added by Royal Decree No. 100/97, w.e.f. 2.2.1998.

- (ii) the term "permanent establishment" shall include especially:
 - (a) a place of sale;
 - (b) a place of management;
 - © a branch;
 - (d) an office;
 - (e) a factory;
 - (f) a workshop;
 - (g) a mine, quarry or other place of natural resources;
 - (h) building site or construction or assembly project;
- (iii) the term "permanent establishment" shall not be deemed to include:
 - (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
 - b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
 - (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
 - (d) the maintenance of a fixed place of business of a non-profitable character for the collection of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise;
- (12) "person" includes both natural and juristic persons;
- (13) "petroleum" means any crude oil, natural gas, asphalt and cognate substances, each including its associated substances.
- (14) "prescribed" means prescribed by rules made under this Law;
- (15) "Principal Officer" used with reference to any company means any director, officer, manager, or other person who represents or manages the business of the company or any other person connected with the company upon whom the Secretary General has served a notice of his intention of treating such person as the Principal Officer of such company;

- (16) "repealed enactment" means the Income Tax Decree, 1971⁶ and any amendments thereto;
- (17) "tax" means any tax payable under this Law and includes any penalty, interest, or other charge leviable under this Law, except any fine leviable under Chapter X;
- ⁷(18) "Tax Committee" means the Tax Committee appointed under Article 4;]
- (18) The term Tax Committee means the Income Tax Committee at the Ministry of Finance that is referred to in Article (4) of the Law.
- (19) "taxable income" means the total amount of gross income less any deductions allowed therefrom;
- (20) "taxable year" means a period of twelve months beginning on the first day of January and ending on the thirty-first day of December next following.

Chapter II - Administration

Article 3 *(Income tax authorities)*

- ⁸[(1) The Director shall be responsible for the due administration of this Law and for the control and management of all officials employed in the carrying out of the purposes of this Law.
- (2) The Director may, subject to the approval of the Minister, from time to time authorize any official employed in the carrying out of the purposes of the provisions of this Law to exercise specific powers conferred or to perform specific duties imposed by this Law upon the Director in place of him.]

(The Secretary General)

- (1) The Secretary General shall be responsible of the execution of this Law and of the carrying out by the Secretariat General of its functions and work. He shall also be responsible of controlling and supervising the Directors General, Directors and the other employees of the Secretariat General for the purposes of execution of this Law.
- (2) The Secretary General may authorize the Directors General, the Directors or any other employees of the Secretariat General to exercise any of his functions specified

⁶ Omani Income Tax Decree of 8th Dec., 1971.

⁷ Paragraph (18) is substituted with a new text printed next, w.e.f. 2.2.1998 by Royal Decree No. 100/97.

⁸ Paragraphs (1) and (2) are substituted with the next following texts, w.e.f. 2.2.1998 by Royal Decree No. 100/97.

in this Law or to perform certain duties which are principally assigned to be executed by the Secretary General under this Law.

- (3) It shall be the duty of any official employed in the carrying out of the purposes of the provisions of this Law to enforce, and ensure due compliance with, the Article of this Law, and to make all due inquiries in relation thereto to the extent that such official is so authorized in accordance with paragraph (2).

Article 4 ⁹*(The Tax Committee)*

- (1) The Sultan shall appoint a Tax Committee consisting of five persons, of whom at least one shall be a member of the Board of the Chamber of Commerce, one from the Ministry of Commerce and Industry, one from the Legal Department of the Ministry of Diwan Affairs, and one from the Auditing Department, to exercise the functions conferred on the Tax Committee by this Law.
- (2) The Sultan shall appoint the president of the Tax Committee.
- (3) The Tax Committee shall hear and determine appeals referred to in Chapter XI.
- (4) Subject to this Law, the Tax Committee shall have power to regulate its own procedure in all matters arising out of the discharge of its functions, including the places at which the Tax Committee shall hold its sittings.]

(The Tax Committee)

- 1 The Committee shall be formed of three employees of the Ministry of Finance, in addition to the President thereof. The President of the Committee and its members shall be appointed by a decision to be issued by the Minister and more Committees may be formed for this purpose.
2. The Committee shall be competent in considering contestations on the decisions issued by the Secretary General for the purposes of Article (46) of this Law and shall exercise the other functions specified therein.
- 3 The Minister shall issue a decision organizing the procedures of the works of the Committee. The Committee's sessions shall be confidential.
- 4 The Committee shall have a Technical Expert and a Secretary.
- 5 The Minister shall provide the Tax Committee with adequate offices and a staff consisting of a sufficient number of administrative and technical employees, including one or more clerks.

⁹ Paragraphs (1) to (4) are substituted with the next following texts w.e.f. 2.2.1998 by Royal Decree No. 100/97.

¹⁰**Article 4 (Bis)** (*The Secretariat General*)

- 1) The Secretariat General shall primarily be competent of:
 - a) taking the procedures necessary for making the tax assessments and the exemption therefrom in the manner specified in the Law.
 - b) taking the procedures necessary for the collection of taxes as per the provisions of the above mentioned Rules for Collection of Taxes, Fees and the Other Amounts Due to the Units of the Administrative Apparatus of the State and without prejudice to any special provisions or procedures included in this Law.
 - c) Exercising any other authorities specified by a decision issued by the Minister.
- 2) The Directorate General of Investigation & Assessment, the Directorate General of Collection and the Directorate General of Survey & Administration, which are included in the Organisational Charter of the Ministry of Finance, shall belong to the Secretariat General.

Article 5 (*Requirement as to confidentiality*)

- ¹¹[(1) Subject to this Article, every official employed in carrying out the purposes of the provisions of this Law shall regard and deal with all documents and information relating to any company and all confidential instructions in respect of the administration of this Law, which may come into his possession or to his knowledge in the course of his duties, as secret.]
- (1) Each employee who is concerned, by nature of his position, competence or task, of the execution of this law or of the issuance of decisions on the disputes related to his position shall be bound to observe the confidentiality of the profession in respect of the documents and information of any company along with the confidential instructions related to the implementation of this law and which may be made available to him or informed to him during the performance of his duties.
 - (2) Nothing in this Article shall apply to the disclosure –

¹⁰ Article 4 (Bis) is added w.e.f. 2.2.1998 by Royal Decree No. 100/97.

¹¹ Paragraph (1) is substituted with the next following text w.e.f. 2.2.1998 by Royal Decree No. 100/97.

- (a) of any confidential particulars for the purposes of a prosecution under the Oman Penal Code in respect of such confidential particulars, or for the purposes of a prosecution under this Law;
- (b) of any confidential particulars to any person acting in the execution or interpretation of this Law where it is necessary to disclose such particulars to him for such purposes.

Article 6 *(Forms of notices, returns etc)*

- (1) The Secretary General may from time to time specify the form of any notice, return of income, or other documents, required for the purposes of this Law; and where any form has been so specified then such notice, return of income, or other documents, shall be in the form so specified.
- (2) Notices given by the Secretary General under this Law may be signed by any official properly authorised under paragraph (2) of Article 3 in that behalf, and any notice purporting to be signed by order of the Secretary General shall, unless the contrary is proved, be presumed to have been signed by an official so authorised
- (3) Every form, notice, or other documents issued, served or given by the Secretary General under this Law shall be sufficiently authenticated if the name or title of the Secretary General or of the official properly authorised under paragraph (2) of Article 3 in that behalf is printed, stamped or written thereon.

Article 7 *(Service of notices, etc.)*

- (1) Where under this Law any notice or other document to be issued by the Secretary General to a company or a Principal Officer thereof, is required to be in writing or such notice or other documents is required to be served on a company or a Principal Officer thereof, then such notice or other documents shall be served on such company or Principal Officer thereof by addressing it to a Principal Officer of such company, by –

- (a) delivering it personally to him, or
 - (b) sending it by registered post addressed to his usual or last known place of address or to any post office box rented in the name of such person or company, or to the address shown in the latest document furnished by the company or on its behalf to the Secretary General.
- (2) If a Principal Officer refuses to accept a notice or document served on him, then such notice or document shall be deemed to have been served on such Principal Officer.

Chapter III - Income Chargeable to Tax

Article 8 (*Income upon which tax is charged*)

Subject to this Law, tax shall be charged for each taxable year upon the taxable income of any company which accrues or arises in Oman, or is deemed by the Secretary General to so accrue, or arise in respect of –

- (1) profits or gains from
 - (a) any business;
 - (b) any right granted to any person for the use or occupation of any property;
- (2) interest, discounts;
- (3) royalties;
- ¹²(3) Rentals of equipment, machinery and devices.
- (Bis)
- ¹³(3) Fees in return for management and amounts in return for transfer of technical know-how or research and development.
- (Bis)1
- (4) any amount deemed to be income under this Law;
- (5) any income from any other source.

¹⁴**Article 8 (Bis)** (*Non-Taxability of Dividends*)

¹² Paragraph (3)(Bis) is added by Royal Decree No. 87/96. It shall apply to the taxable incomes, the final assessments of which were not made up to the date on which this Decree comes into force, i.e., 2/11/1996.

¹³ Paragraph (3)(Bis)1 is added as above.

¹⁴ New Article added by RD 68/00, and shall come into force as from the tax year 2000.

The tax shall not apply to the dividends received by the company from the shares, portions, or stock it owns in the capital of any other company.

Article 8(Bis) (*Types of income to which no tax shall be applicable*) :

As an exception from the provisions of Article (8) of this law, tax shall not apply to the followings:

- 1) Dividends received by the company from its ownership of shares, portions or shareholding in the share capital of any other company
- 2) Profits or gains realized by the company from the sale or disposal of securities registered in Muscat Securities Market.

Article 9 (*Provisions relating to deemed income etc*)

For the purpose of this Law –

- (1) Any amount received in any taxable year, under any contract of insurance against loss of profits or by way of damage or compensation for loss of profits shall be deemed to be gross income for such taxable year.
- (2) Where, in computing business income for any taxable year any expense or loss has been deducted, or any bad debt allowed, or a deduction in respect of any liability has been made, and in a later taxable year the whole or part of any such deduction or such bad debt is recovered, or the whole or part of such liability is released, then any sum so recovered or released shall be deemed to be gross income for the taxable year in which such sum is recovered or released.
- (3) Any amount received by any company in any taxable year after the cessation of the business of the company which, if it had been received prior to such cessation, would have been included in the gross income of such company under this Law shall be deemed to be gross income for such taxable year.

¹⁵ Article 8 Bis is substituted with the next following text by RD No. 54/03 w.e.f. the tax year 2000 for paragraph 1) and wef the tax year 2003 for paragraph 2).

- (4) Where, pursuant to an agreement between the Government and a company, the Government has the right to receive royalties either in cash or in kind and if the Government elects to receive such royalties in kind, then for the purpose of determining the taxable income of such company in respect of the taxable year in which such royalties were received by the Government, an amount equal to the value of such royalties shall be added to the gross income of such company for such taxable year.
- (5) The amount of any balancing charge computed for any taxable year under the First Schedule shall be deemed to be income for such taxable year.

Article 10 (*Transactions designed to avoid liability to tax*)

- (1) Where the Secretary General has reasonable grounds to believe that the main purpose or one of the main purposes for which any transaction was effected (whether before or after the commencement of this Law) was the avoidance or reduction of liability to tax for any taxable year he may, if he determines it to be just and reasonable, direct that adjustment shall be made in respect of liability to tax as he may consider appropriate so as to counteract the avoidance or reduction of liability to tax which would otherwise be effected by the transactions:
Provided that this paragraph shall not apply to any transaction the main purpose or one of the main purposes of which was to effect the succession by a company, incorporated for that purpose, to any business carried on by an individual or partnership.
- (2) Without prejudice to the generality of the powers conferred by paragraph (1), the powers conferred thereby shall extend –
 - (a) to the charging with tax of companies which, but for the adjustments, would not be chargeable with any tax, or would not be chargeable to the same extent; and
 - (b) to the charging of a greater amount of tax than would be chargeable but for the adjustments.

Article 11 (*Profit shifting*)

Where a company carries on a transaction with another person and it appears to the Secretary General that owing to the close connection between such company and such person the transaction is so arranged that it produces to such company either no taxable income or less income than which might ordinarily be expected to arise if there had been no such arrangement, then the taxable income of such company from such transaction shall be deemed to be an amount which might be expected to arise if such transaction had been conducted by persons between whom there was no such arrangement.

Chapter IV - Computation of Income

Part A - Accounting and Accounting Periods

Article 12 (*Provisions relating to methods of accounting and accounting periods*)

- (1) Subject to this Article, taxable income shall be computed in accordance with a generally accepted method of commercial accounting; and such company shall regularly and consistently employ the method applied by any company. The accrual method of commercial accounting shall be used by all companies except those –
 - (a) in respect of which the Secretary General by notice in writing, has prescribed any other method of commercial accounting to be employed; or
 - (b) which have applied in writing to the Secretary General and received his approval to employ any other method of commercial accounting.
- (2) Subject to paragraph (3) and (4), any company shall make up its accounts for an accounting period that corresponds to a taxable year and, subject to such adjustments as the Secretary-General may consider appropriate, tax shall be charged accordingly.
- (3) Any company may, provided it does so regularly and consistently, make up its accounts for an accounting period of twelve months ending on some other day than the thirty-first day of December; and where a company makes up its accounts for an

accounting period ending on some other day than the thirty-first day of December, the taxable income of such company for such accounting period ending on such other day shall, subject to such adjustments as the Secretary General may consider appropriate, be deemed to be the taxable income of the taxable year in which such accounting period ends, and tax shall be charged accordingly.

- (4) In the case of a commencing company, the company may make up its accounts for an accounting period of less than twelve or for an accounting period that may not exceed eighteen months with respect to its first taxable year and in the case of a liquidating company such accounting period may be of less than twelve months; and where a company makes up its accounts for an accounting period greater or less than twelve months, the Secretary General shall, subject to such adjustment as he consider appropriate, deem the taxable income for such accounting period to be taxable income of the taxable year in which such accounting period ends, and tax shall be charged accordingly.
- (5) Every company shall preserve every record and every document which is essential to the explanation of any entry in such record for a period of not less than ten years after the accounting period to which such record or document relates.
- (6) subject to the approval of the Minister, where records may be maintained in a foreign currency the taxable income of the company shall be computed in that currency.
- (7) When the method of accounting employed is not the accrual method of commercial accounting, any references to expenses in any taxable year and to expenses incurred in any taxable year shall be deemed to be reference to amounts paid in such taxable year.

Part B - Deductions in Computing Taxable Income

Article 13 *(Deductions in computing income)*

- (1) Subject to this Law, in computing the taxable income of any company for any taxable year, there shall be deducted all expenses incurred during such taxable year to the extent that such expenses were incurred wholly and exclusively for the production of the gross income of such company for such taxable year; and where in computing the taxable income of any company for any accounting period ending on some other day than the thirty-first day of December, then any expenses incurred wholly and exclusively for the production of the gross income during such accounting period shall be deemed to be expenses incurred during the taxable year in which such accounting period ends.

¹⁶“As an exception from the provisions of the preceding paragraph, there shall be regarded as costs the remunerations paid to the Chairman and the Members of the Boards of Directors of the Joint-Stock Companies as well as the salaries and the like which are paid to the partners who are engaged in the management of other companies on full time basis. Deduction of any of these costs from the company’s gross income shall only be made in the cases and in accordance with the conditions, limits, rates and restrictions specified by a decision to be issued by the Minister and without prejudice to the provisions of Articles (10) and (11) of this Law.

(Particular deductions allowed)

- (2) Notwithstanding the generality of paragraph (1), in computing the taxable income of any company for any taxable year, the following deductions shall be made –
- (a) any establishment expenses incurred in such taxable year;
 - b) any allowances to which such company is entitled under the First Schedule for such taxable year;
 - (c) the amount of any debt incurred by such company in the production of the gross income which the Secretary General considers to have become bad during such

¹⁶ This paragraph is added to Article 13 (1) by Royal Decree No. 100/97. It shall apply to the taxable incomes the final assessments of which have not been completed until the date on which this Decree comes into force, i.e., w.e.f. 2.2.1998

taxable year;

- (d) subject to the approval of the Secretary General, any amount incurred for the welfare of the employees of the company and any sum contributed by such company in such taxable year to any pension fund or other similar plan approved by the Secretary General and established wholly and exclusively for the purpose of providing pension or other similar benefits to employees of such company when they retire from their service rendered to the company or to the dependents of such employees after the death of such employees;
- ¹⁷[(e) donations to establishments approved by the Financial Affairs Council to the extent such donations do not exceed one per cent of the gross income;]
- (e) Donations granted to organisations recognized by the Council of Financial Affairs and Energy Resources on condition that the amount of such donations shall not exceed 5% of the company's gross income.
- (f) such other deductions as may be prescribed, including audit fees.

Article 14 (¹⁸*Treatment of losses*)

Where the computation of the taxable income of a company for any taxable year results in a loss, the amount of such loss shall be carried forward and deducted in computing the taxable income of such company for the next following taxable year; and any amount of such loss which cannot be deducted in such following taxable year shall be carried forward and deducted in computing the taxable income of the next following taxable year and so on until the whole amount of such loss has been set off:

Provided that no loss shall be carried forward for more than five years after the end of the taxable year in which the loss was incurred.]

Where an assessment made on a company for any tax year results in a loss, such loss shall be carried forward and deducted in the assessment for the following year. Any part of the loss, in so far as it cannot be so deducted in that year, shall be carried forward and deducted in the assessments for the subsequent years.

In no case shall the losses be carried forward or deducted for more than five years after the tax year in which such losses were incurred.

¹⁷ Paragraph 2 (e) of Article 13 is substituted by Royal Decree No. 87/96 with the new text printed next, and is applicable for any tax year commencing from the date on which 87/96 comes into force, i.e., 2/11/1996.

¹⁸ Article 14 is substituted by Royal Decree No. 87/96 with the new text printed next, and is applicable for any tax year commencing from the date on which 87/96 comes into force, i.e., 2/11/1996.

¹⁹Losses incurred during the period in which the company is ²⁰exempted from tax also shall not be carried forward or deducted except in the cases of companies which are tax exempt ²¹[by reasons of carrying on the activities specified in the sub-paragraphs] {by applications of the provisions of sub-paragraphs} of paragraph (1) of Article 51 (Bis) of the Law. In such case, the net losses incurred during the period of exemption granted under the law may be carried forward and deducted in the subsequent years until finally set off.

Part C - Deductions Not Allowed

Article 15 (Deductions not allowed)

Notwithstanding the foregoing provisions of this Chapter, in computing the taxable income of any company for any taxable year, no amount shall be deducted –

- (1) In respect of any tax levied under this Law or any sum paid on account of any corporate tax or tax of a similar nature.
- (2) Subject to the First Schedule, in respect of any capital expenses incurred by such company.
- (3) In respect of any expenses incurred to the extent to which Secretary-General considers such expenses not to be fair and reasonable by reference to the value of the services rendered or other consideration to which it relates.
- (4) In respect of any expenses or loss which is recoverable under any insurance, contract or indemnity
- ²², ²³(5) In respect of any of the expenses or costs specified in Article (13) of the law and which are incurred to realize the income exempted from tax, whether as an implementation of the provisions of this law or any other laws or Royal Decrees.

¹⁹ The exception provided in this paragraph shall apply to the net losses incurred as from the tax year 1996 which commenced on 1st January 1996.

{²⁰ initial exemption period}

²¹ These words were substituted by the words printed next, RD 68/00, wef 15.8.2000.

²² Paragraph (5) is added by RD No. 54/03. It shall apply to the taxable incomes, the final assessments of which were not made up to the date on which this Decree comes into force, i.e., 15.9.2003.

²³ Paragraph (5) is made effective from the tax year 2003, as per the RD No. 13/2004.

- ²⁴, ²⁵(6) In respect of any loss which is realized from the sale or disposal of securities registered in Muscat Securities

Chapter V - Returns and Notices

Article 16 (Return of income.)

- (1) Every company shall for every taxable year furnish in the prescribed form a provisional return of income setting forth the taxable income estimated by such company to be the taxable income of such company for such taxable year and the total amount of tax payable by the company with respect to such estimated taxable income at the time such provisional return is required to be furnished.
- (2) Every company shall for every taxable year furnish in the prescribed form a return of income setting forth the taxable income of the company for such taxable year and the total amount of tax payable by the company with respect to such taxable income for such taxable year; and such return of a company the capital of which exceeds Rials Omani 20,000 shall be accompanied by the audited accounts bearing a certificate signed by an independent authorised auditor stating whether and subject to what reservations, if any, he considers that such accounts fairly presents the taxable income of such company for such taxable year; and such return of income shall contain –
 - (a) a verification by the company to the effect that the return of income furnished by the company is a true and correct statement of such taxable income and the tax payable thereon;
 - (b) such other particulars as may be prescribed.
- (3) The provisional return referred to in paragraph (1) shall be furnished within three months from the end of the accounting period to which it relates.
- (4) The return of income referred to in paragraph (2) shall be furnished within six

²⁴ Paragraph (6) is added by RD No. 54/03. It shall apply to the taxable incomes, the final assessments of which were not made up to the date on which this Decree comes into force, i.e., 15.9.2003.

²⁵ Paragraph (6) is made effective from the tax year 2003, as per the RD No. 13/2004

months from the end of the accounting period to which it relates.

Article 17 *(Secretary General to require return of income)*

The Secretary General may at any time, by notice in writing, require any Principal Officer of any company to furnish a return of income for any taxable year or part thereof, or with any other document relating to the income of the company, within such time as shall be specified in the notice, such time not being less than fourteen days from the date of service of such notice.

²⁶Article 17 (Bis) *(Returns of Income and Notifications in the Instance of Termination of the Company's Business)*

In the instance of termination or cessation of the company's business or that it suspended, partly or totally, the activities thereof, the same shall be notified by such company to the Secretariat General within not more than one week from the date of termination or cessation of that business. It shall also be bound to submit the return of income for the tax year in which the business is terminated or for part of that year along with the audited final accounts or any other documents related to the company's income which are required to be submitted within the period determined by the Secretary General".

Article 18 *(Production of books, attendance, etc.)*

For the purpose of obtaining full information in respect of any income of any company the Secretary General may require any Principal Officer of such company during ordinary working hours by notice in writing served on such Principal Officer –

- (1) To produce for examination by the Secretary General, at such time and place as may be specified in such notice, any accounts, records, statements of assets and liabilities or other documents which the Secretary General may consider necessary for such

²⁶ Article 17 (Bis) is added w.e.f. 2.2.1998 by Royal Decree No. 100/97.

purpose.

- (2) To produce forthwith for retention by the Secretary General for such period as may be reasonable for their examination any accounts, records, statements of assets and liabilities, or other documents which the Secretary General may specify in such notice.
- (3) To attend, at such time and place as may be specified in such notice, for the purpose of being examined respecting any income of the company of which he is employed or any income of any other company or any transaction or matters appearing to be relevant to any such income.

Article 19 (*Powers of entry, inspection and removal of records, etc.*)

The Secretary General may, subject to the approval and instructions of the Minister, during ordinary working hours, for the purpose of making any inquiry which he considers necessary in relation to liability to tax enter any premises in which the Secretary General has reason to believe that a company maintains any accounts, records, statements of assets and liabilities, or other documents related to the company, and he may, subject to the approval of the Minister, call for, search for, and inspect such accounts, records, statements of assets and liabilities, or other documents which are on the premises, and may remove and retain them for such period as may be reasonable for their examination or for the purposes of a prosecution.

Article 20 (*Place for furnishing returns etc*)

Any return of income, account, record, statement of assets and liabilities or other documents required to be furnished by any company or Principal Officer thereof under this Chapter shall be delivered to the office of the Secretary General as instructed.

Article 21 (*Extension of time for filing return etc.*)

The Secretary General may, on sufficient cause being shown, extend the date for the

furnishing of any return, account, records, statement of assets and liabilities or other documents required to be furnished under this Chapter.

Chapter VI - Persons Assessable

Article 22 *(Income of a company assessed on company)*

Where the income of any company is taxable, such income shall, subject to this Law, be charged and assessed to tax on such company.

Article 23 *(Liquidators assessable for income of company under liquidation)*

Any taxable income of any company which is under liquidation, shall be charged and assessed to tax on the liquidator in like manner and to the like amount as such income would have been charged and assessed to tax on the company if such company had not been under liquidation.

Article 24 *(Joint liability of liquidators)*

Where two or more persons appointed liquidators under the Companies Law or on behalf of any company, any taxable income of such company may be charged and assessed to tax on any one of such liquidators.

Article 25 *(Responsibility of Principal Officer and Liquidator)*

Any Principal Officer or any liquidator of any company shall be responsible for doing all such things as are required to be done by a company whose income is taxable.

²⁷**[Chapter VII Assessment made by the Director**

Article 26. *(Assessments made by the Director)*

²⁷ Chapter VII is substituted with a new text printed next w.e.f. 2.2.1998 by Royal Decree No. 100/97.

- (1) An estimated assessment may be made for any taxable year or part thereof upon any company by the Director by order in writing, at any time where such company has failed to furnish a provisional return of income or an annual return of income, required to be furnished under this Law.
- (2) An additional assessment may be made for any taxable year or part thereof upon any company by the Director by order in writing, at any time where –
 - (a) a Principal Officer fails to comply with a notice in writing issued under Article 18; or
 - (b) where the Director thinks that such company in its return for such taxable year or part thereof has failed to declare its correct income or failed to give correct information or omitted to give any information relevant to any matter affecting its tax liability; or
 - (c) an assessment is required to be made on such company as a result of or in consequence of or to give cause to any finding or direction contained in any order under Chapter XI.
- (3) The Director shall determine the amount of tax payable on the basis of any assessment of income made under this Article.
- (4) Any assessment made under this Chapter shall be served on a Principal Officer of the Company assessed and shall be deemed to constitute a notice of demand in accordance with Article 29.
- (5) Subject to paragraph (2), (a) and (b) no estimated or additional assessment shall be made after the expiry of five years from the taxable period to which it relates.]

CHAPTER VII

The Assessment made by the Secretariat General

Article 26 (*The Assessment made by the Secretary General*)

1. The Secretariat General must make an assessment by way of estimation to any company and for any tax year or a part thereof in any of the following two cases:
 - a) Failure by that company to file the provisional or final return of income for such tax year or a part thereof within the time specified in this Law.
 - b) Failure by that company to file the return of income for the tax year or a part thereof, the final audited accounts or the other documents related to the income of the company within the time specified in accordance with Article (17 Bis) of this Law.

In both of these cases, the assessment shall be made as per a written notification.

2. The Secretariat General shall make the assessment on any company and for any tax year or a part thereof in case of submission by the Company of its final return of income or the return of income within the period fixed in this Law particularly in Articles (16), (17) and (17 Bis). The assessment shall be made as per a written notification in which:
 - a) the assessment is made according to the return of income if it is correct and in conformity with the Law; or
 - b) the taxable income included in the return of income is corrected or adjusted to conform with the Law or that such taxable income is estimated without consideration to the contents of the return of income in the following instances:
 1. Failure by the Director, the Principal Officer or the Liquidator of the company to file the audited final accounts as per Article 16(2) of this Law.
 2. Refusal by the Director, the Principal Officer or the Liquidator of the company to respond to the written notification which is issued under Article (18) of this Law.
 3. If it appeared to the Secretariat General that the company has not clearly stated its actual income in the income return filed for that year or a part thereof or if the company refused to provide the correct information in respect of its income or of any factors affecting its tax liability in general.
3. If it has become obvious after completion of the assessment on a company for any tax year or a part thereof that the income upon which the Assessment is made is less than the actual income, the Secretariat General must make an additional assessment on this company for the respective tax year or a part thereof. The additional assessment shall be made as per a written notification.
4. Where it becomes obvious at the consideration of a contestation or a suit filed by the company in the implementation of the provisions of Chapter Eleven of this Law that the income on which the assessment is made for any tax year is less than the actual income of the company, an additional assessment shall be made by the Secretariat General on such company.
5. The Secretariat General shall make any assessment due by virtue of any decision or

judgment issued as an implementation of the provisions of Chapter Eleven of this Law.

6. The Secretariat General must specify the amount of the tax due and payable by virtue of any estimation of the income or any assessment made in accordance with the provisions of this Article.
7. Any assessment made under the provisions of this Article must be issued in the name of the Secretary General and must be notified to the Director or the Principal Officer of the Company on which the assessment is made. Such notification shall be considered as a notification for payment for the purposes of Article (29) of this Law.

Article 26 (Bis) (*Time fixed for Assessments*)

1. The Secretariat General shall make the assessment at any time and without restrictions in the instances provided for in paragraph (1) of Article (26) of this Law.
2. Without prejudice to the provisions of paragraph 3 of this Article, no assessments shall be made by the Secretariat General for any tax year after the lapse of the following periods:
 - a) five years, in the cases referred to in Article 26(2) of this law, as from the end of the tax year in which the final return of income was submitted for such year.
 - b) five years, in the cases referred to in paragraphs (3) and (4) of Article (26) of this Law, as from the date on which it is proved that the income for which the assessment was made is less than the actual income of the company.
 - c) five years as from the end of the tax year in which the decision or the judgment is issued in the cases referred to in Article 26(5) of this Law and without prejudice to the provisions of paragraph (3) of Article (50) Bis (10) of this Law.
3. The assessment shall be made without being restricted by a certain time where it is confirmed that the company has concealed one or more components of the company's business or of the taxable income or that it committed deception or

used fraudulent methods.

Chapter VIII - Collection and Refund of Tax

Article 27 *(Tax debt due and payable to Government)*

Any tax due and payable under this Law is a civil debt due and payable to the Government.

Article 28 *(Payment of tax in accordance with return of income)*

Where any return required to be furnished under this Law shows that any tax is payable, such tax shall be paid to the Secretary General when such return is due to be furnished.

Article 29 *(Payment of tax on demand)*

Where any tax is payable in consequence of an order passed under this Law, the Secretary General shall serve upon the person by which the tax is payable a notice of demand; and such notice of demand shall specify the amount of tax payable, the time within which the tax shall be paid and that the tax shall be paid to the Secretary General.

Article 30 *(Additional tax for late payment)*

Where any person who is liable to pay any tax fails to pay the whole amount of such tax by the date on which it is due and payable, the Secretary General may charge such person with additional tax at the rate of one percent per month on the amount by which any part of such tax paid by such person, if any, falls short of the amount of the tax liable to be paid; and such additional tax shall be paid to the Secretary General and be calculated from the date or dates on which such tax or unpaid part thereof was due and payable to the date on which it is paid.

Article 31 *(Collection of tax from person holding money for or on behalf of a chargeable company)*

- (1) For the purposes of recovering any tax due and payable by any person, the Secretary General may, subject to the approval of the Tax Committee, or in urgent cases of the Chairman thereof, by notice in writing, require any person
 - a) From whom money is due or may become due to such first-mentioned person, or
 - b) who holds or may subsequently hold money for or on account of such first-mentioned person, or
 - c) who holds money on account of some other person for payment to such first-mentioned person, or
 - d) who has authority from some other person to pay money to such first-mentioned person,to pay to the Secretary General, within seven days of the date on which such notice is served on such last-mentioned person, or if on such date no money is due from such last-mentioned person to such first-mentioned person, within seven days of the time on which such money becomes due to such first mentioned person, any amount specified in the notice or, if the amount of such money is less than the amount specified, the whole amount thereof.
- (2) Where any person who is required to make any payment to the Secretary General under paragraph (1) fails to do so within the time specified in such paragraph, the provisions of this Law shall apply as if such amount were tax due and payable by such person on the date which such person was required to make such payment to the Secretary General.
- (3) For the purpose of this Article, the Secretary General may, by notice in writing, at any time require any person to furnish the Secretary General within a time which is to be specified in such notice, with a return showing any money held by such person for or due by such person to any person from whom tax is payable.

Article 32 (*Auction etc.*)

- (1) In order to recover any tax due and payable the Secretary General may upon the approval of the Minister and the Tax Committee request the appropriate Government authority to auction any asset belonging to the company, whether such company is under liquidation or not, and the Government has the right to retain proceeds of such auction to the extent of the tax due and payable and all relevant expenses relating thereto.
- (2) Any tax charged and assessed on a liquidator in accordance with Article 23 shall only be paid out of the assets of the company under liquidation and no liquidator shall be personally liable for any such tax charged and assessed on any liquidator.

Article 33 (*Refund of tax*)

- (1) If it is proved to the satisfaction of the Secretary General that any person has for any taxable year paid tax in excess of the amount of tax due and payable for such taxable year as finally determined, such person shall be entitled to have the amount of tax so paid in excess refunded:
Provided that where any tax is due and payable by such person for any other taxable year, the amount of tax paid in excess with respect to the taxable year to which such excess relates shall be applied towards the satisfaction of the amount if any tax due and payable by such person for any other taxable year; and the amount of tax so applied shall not be refunded.
- [²⁸2) Every claim for refund under this Article shall be made within five years after the expiry of the taxable year to which the claim relates.]
- (2) Any request for refund under this Article must be submitted within two years as from the date of expiry of the tax year in which the amount of increase in the

²⁸ Paragraph (2) is substituted with the new text printed next, w.e.f. 2.2.1998 by Royal Decree No. 100/97.

refund of tax is finally determined; ²⁹ otherwise the right for refund shall be invalid.

Article 34 (*Extension of time*)

The Secretary General may extend the time within which any tax shall be paid.

³⁰**Article 34 (Bis)** (*Time Bar*)

1. The Government's right for collection of tax shall cease to be valid at the lapse of seven calendar years commencing from the date on which the tax has become due and payable as an implementation of the provisions of Articles (28), (29) and (30) of this Law.
2. Time bar shall cease to be effective by requests that are legally notified and by the other reasons for discontinuation of the time bar which are provided for in the law. For the purposes of this Article, there shall be regarded as requests ceasing the time bar decisions, notifications, warning letters, minutes, orders and any other requests issued in the implementation of the provisions of this Law and the aforementioned Rules for collection of Taxes, Fees and the other Amounts Due to the Units of the Administrative Apparatus of the State. A new time bar period shall commence and take effect as from the date of expiry of the effect resulting from the reason for discontinuation of the time bar. The period of the new time bar shall be the same as that of the first one provided that if a final judgment is issued in favour of the Secretariat General, the new time bar shall be for a period of 15 years.
3. Time bar for the tax year shall take effect as from the date on which this Decree comes into force in respect of the taxes due and payable before this date.

Chapter IX - Civil Penalties

²⁹ This phrase was added by RD No. 54/03 wef tax year 2003.

Article 35 *(Penalty for failure to furnish return of income within the time specified therefor)*

Where any company required to furnish a provisional return of income or a return of income for any taxable year fails to furnish any such return within the time specified in Article 16, the Minister may authorise the Secretary General to impose upon such company or upon any person who was a Principal Officer of such company at such time or upon both such company and such Principal Officer a penalty in the amount of one half the amount of tax estimated to be payable by such company for such taxable year:

Provided that where the amount of penalty calculated under this section is less than twenty-five Rials Omani, or such company has no taxable income, the penalty under this section shall be twenty-five Rials Omani.

Article 36 *(Penalty for failure to declare correct income, etc.)*

Where, in any proceedings under this Law any company has for any taxable year negligently

- (a) failed to declare its correct income in the return of income; or
- (b) failed to give correct information or omitted to give any information relating to any matter affecting its tax liability, then, notwithstanding any other liability incurred under this Law,

the Tax Committee may impose upon such company or any person who was a Principal Officer of such company during such taxable year or upon both such company and such Principal Officer a penalty in the amount of twenty-five percent of the amount of tax which the company would have avoided if it had been assessed for such taxable year on the taxable income disclosed by the return of income for such taxable year or if such incorrect information had been accepted or such omission had not been discovered.

³⁰ Article 34 (Bis) is added w.e.f. 2.2.1998 by Royal Decree No. 100/97.

Article 37 (Penalty for failure to comply with the notices)

Where, a Principal Officer of any company negligently –

- (1) fails to furnish within the required time to the Secretary General any document which under this Law or under any notice served on him under this Law, he or the company is liable to furnish; or
- (2) fails to produce any accounts, records, statements of assets or liabilities or other documents for the examination or retention by the Secretary General in accordance with the requirements of any notice served on him under paragraphs (1) and (2) of Article 18; or
- (3) fails to attend at such time and place as specified in any notice served on him under paragraph (3) of Article 18; or
- (4) fails to answer any questions lawfully put to him or to supply any information lawfully required from him under this Law; or
- (5) gives any incorrect information or omits to give any correct information, in relation to any matter or thing affecting the liability to tax of the company of which he is employed, or of any other company,

then notwithstanding any other liability incurred under this Law, the Tax Committee may impose upon such Principal Officer or such company or upon both such Principal Officer or such company a penalty in the amount of two thousand five hundred Rials Omani.

Article 38 (Right to be heard before penalty is imposed)

- (1) No penalty under Article 36 or Article 37 shall be imposed on any company unless a Principal officer of the company concerned has been given an opportunity of being heard by the Tax Committee.
- (2) No penalty under Article 36 or Article 37 shall be imposed on a Principal Officer unless such Principal Officer has been given an opportunity of being heard by the Tax Committee.

Chapter X - Criminal Offences and Prosecution

Article 39 *(Failure to comply with notice, etc.)*

Without prejudice to any other liability incurred under this Law, any Principal Officer of any company who willfully –

- (1) fails to furnish a return required to be made by such company under this Law for any taxable year or part thereof; or
 - (2) fails to comply with the requirements of any notice in writing served under this Law upon such Principal Officer or;
 - (3) fails to preserve any record or document which such company is required to preserve under paragraph 5 of Article 12; or
 - (4) obstructs the Secretary General in the discharge of his functions under Article 19,
- shall be guilty of an offence under this Law, and shall, without prejudice to any other liability under this Law, be punishable –
- (a) on the first offence, with a fine not exceeding two thousand Rials Omani, or with imprisonment of a term not exceeding thirty days, or with both such fine and imprisonment;
 - (b) on a subsequent offence, committed within five years from the first offence with a fine of not exceeding two thousand Rials Omani, or with imprisonment of a term not exceeding two thousand Rials Omani, or with imprisonment of a term not exceeding one year, or both such fine and imprisonment.

Article 40 *(Failure to declare correct income, etc.,)*

Any Principal Officer of any company who in any return of income willfully fails to declare the correct income of such company or willfully fails to give correct information relating to any matter affecting the tax liability of such company, shall be guilty of an offence under this Law, and shall, without prejudice to any other liability under this Law, be punishable with a fine not exceeding five thousand Rials Omani or imprisonment for a term not

exceeding five years, or with both such fine and imprisonment.

Article 41 (*Abetting in offence*)

Where any person, not being a Principal Officer of a relevant company, willfully –

- (a) makes, delivers or endorses on behalf of such a company; or
- (b) aids, abets, assists, or induces such company to make or deliver any incorrect return, account, record, statement of assets and liabilities or other document relating to any matter affecting the tax liability of such company,

such person shall be guilty of an offence under this Law, and shall be punishable with a fine not exceeding five thousand Rials Omani, or with imprisonment of a term not exceeding three years, or with both such fine and imprisonment.

Article 42 (*Officials seeking bribes, etc*)

Any official employed in carrying out the purposes of the provisions of this Law, who –

- (a) directly or indirectly asks for, or takes, in connection with any of his duties under this Law, any payment or reward whatsoever, whether pecuniary or otherwise, or any promise or security for any such payment or reward, which he is not lawfully entitled to received; or
- (b) enters into or acquiesces in any agreement to do, abstain from doing, permit, conceal, or connive at, any act or thing whereby the Government is or may be defrauded in respect of this Law, or which is contrary to the provisions of this Law or to the proper execution of his duty under this Law,

shall be guilty of an offence under this Law and shall be punishable with a fine not exceeding five thousand Rials Omani or with imprisonment of a term not exceeding three years or with both such fine and imprisonment.

Article 43 ³¹[(*Powers of the Tax Committee to compound offence*)]

- (1) Where an offence has been committed under this Law by a Principal Officer of a company, then the Tax committee may, at any time prior to the commencement of the hearing by any court of any charge in relation thereto, compound such offence and order such Principal Officer to pay such sum of money as the Tax Committee may think fit; but such sum may not exceed the maximum amount of the fine to which such Principal Officer could have been liable if he had been convicted of such offence. :
- Provided that the Tax Committee shall not exercise its powers under this Article unless such Principal Officer requests the Tax Committee in writing to deal with such offence under this Article.
- (2) Where the Tax Committee compounds any offence under this Article - -
- (a) the order of the Tax Committee shall be put in writing and there shall be attached to the order the written request referred to in the proviso to paragraph (1);
 - (b) such order shall specify the offence committed, the sum of money ordered to be paid, to whom the money shall be paid, and the date or dates on which payment is to be made;
 - (c) a copy of such order shall be given if he so requests, to the Principal Officer who committed the offence;
 - (d) the Principal Officer shall not be liable to any further prosecution in respect of such offence; and if any such prosecution is brought it shall be a good defence for such Principal Officer to prove that such offence has been compounded under this Article;
 - (e) the order shall be final and shall not be subject to any appeal;
 - (f) the order may be enforced in the same manner as a tax charged under this Law.]

(The Tax Committee's Authority to make Conciliation)

1. In the event of Commitment by a company's Principal Officer of any of the crimes referred to in this Law, the Tax Committee may make conciliation at any time before the general suit is considered by the Criminal Court. Conciliation shall be made by virtue of a written request submitted by the Principal officer. Such conciliation must be made only after payment by the company's Principal Officer of the amount specified by the Tax Committee provided that it shall not be more than the maximum of fine decided for such crime.
- Payment of this amount shall be made to the Secretariat General. The procedures decided for tax collection shall be followed in the event of failure of payment of such amount.

³¹ Article 43 is substituted with the new text printed next, w.e.f. 2.2.1998 by Royal Decree No. 100/97.

2. In all instances, the conciliation shall result in the lapse of the general suit arisen from the crimes referred to above. The Principal Officer must not, then, be referred to the Criminal Court.

Article 44 ³²[(*Sanction of Minister for Prosecution etc.*)]

Any prosecution under this Chapter shall be conducted in accordance with the Criminal procedure in Oman. No prosecution in respect of any offence under this Law shall be commenced except with the sanction of the Minister. The Minister may, at any time after a prosecution under this Law has been commenced, decide that such prosecution shall be finally discontinued.]

(Referral to the Criminal Courts)

The Criminal Courts shall have jurisdiction in considering the general suits referred to in this law whether they are for serious crimes or for offenses. Consideration of the general suits shall be made in accordance with the provisions of Royal Decree no. (25/84) organizing the Criminal Judiciary and the amendments thereto.

The general suit may be filed for the crimes referred to above only when it is approved by the Minister or his authorized representative. The Secretariat General shall, then, coordinate with the General Prosecution in this respect.

³³[Chapter XI - Objections and Appeals

Article 45 (*Objections to actions by the Director to the Minister*)

- (1) Any company or Principal Officer thereof may object to the Minister with respect to any decision made by the Director upon such company or Principal Officer under this Law; and upon such objection the Minister shall give the company or such Principal Officer an opportunity of being heard and, by notice in writing, notify the company or the Principal Officer, as the case may be, of the date and the place fixed for the hearing.
- (2) After having given the company or such Principal Officer an opportunity of being heard, the Minister may amend any decision made by the Director under this Law on such company or such Principal Officer

³² Article 44 is substituted with the new text printed next, w.e.f. 2.2.1998 by Royal Decree No. 100/97.

³³ Chapter XI is substituted with the new text printed next w.e.f. 2.2.1998 by the Royal Decree No. 100/97.

thereof.

- (3) Any objection to the Minister shall be in writing and shall be made prior to any appeal which might be made to the Tax Committee.

Article 46 *(Appeal to the Tax Committee)*

- (1) Any - -
 - (a) company may object to an assessment made upon such company for any taxable year or part thereof or to the imposition of any penalty; or
 - (b) Principal Officer may object to any penalty imposed upon him; or
 - (c) company may object to the amount of any refund made to such company, and may appeal to the Tax Committee.
- (2) Where any objection has been made to the Minister under Article 45 against any decision made by the Director regarding any subject matter referred to in paragraph (1), the subject matter of the decision made by the Director may not be appealed to the Tax Committee before the Minister has dealt with the objection.
- (3) No appeal shall lie under this Article unless the precise grounds of appeal are stated in the form of appeal
- (4) An appeal under this Article shall not postpone the liability to pay any amount of tax due and payable according to the decision appealed against.

Article 47 *(Time limit for filing appeal)*

An objection under Article 45 or appeal under Article 46 shall be made within 30 days of the date on which the notice of the assessment, or of the penalty, or of the refund, as the case may be, was served:

Provided that the Tax Committee may, if it is satisfied that the appellant was prevented by sufficient cause from making the appeal within such period, admit the appeal after the expiry of such period.

Article 48 *(Procedure in hearing appeals)*

- (1) The Tax Committee shall notify the date and the place fixed for the hearing of the appeal to the appellant and Director and both the appellant and the Director shall have the right to be heard at the hearing of the appeal.
- (2) The Tax Committee may, from time to time, adjourn the hearing of the appeal.
- (3) The Tax Committee may, before disposing off an appeal, call for such particulars as it may require respecting the matters arising in the appeal, or cause further inquiry to be made by the Director.
- (4) The Tax Committee may, at the hearing of an appeal, allow the appellant to go into any ground of appeal not specified in the form of appeal, if it is satisfied that the omission of such ground from the form of appeal was not willful.
- (5) The onus of proving that the assessment appealed against is excessive shall be on the person assessed.

Article 49 *(Powers of Tax Committee with respect to appeals)*

Subject to this Law, in disposing of an appeal the Tax Committee may amend as it thinks fit the decision appealed against

Provided that the amount appealed against shall never be increased

Article 50 *(Finality of appeal)*

Any decision of the Tax Committee shall be final.]

CHAPTER ELEVEN
TAX OBJECTIONS, CONTESTATIONS AND SUITS

Section 1

Article 45: *(Objection to the Secretary General)*

- 1) Any company may object to any assessment order issued under Article 26 (1), (2), (3) and (4) of this Law or any order to charge the additional tax under Chapter VIII or to the amount of refund of tax in the implementation of the provisions of Article (33) of this Law.
- 2) The objection must be filed in writing to the Secretary General and must include the company's claims and the reasons supporting such claim in detail. The objection must be submitted within a period of forty five days from the date of notification of the assessment order, or the date of notification of the additional assessment order or the date of tax refund, as the case may be. Otherwise, the objection shall not be accepted in form. Failure to submit the objection in time shall result in considering

the tax assessment, or the additional tax charged or the tax refund as final

- 3) The Secretary General shall reconsider the objected assessment order if the objection is accepted in its form. Reconsideration shall be made within a maximum period of 3 months as from the date of submission of the objection. Such period may be exceed for periods not exceeding 3 months on condition that the company shall be notified in advance. Decision on the objection shall be issued either to:
 - a) confirm or reduce the assessment;
 - b) grant full or partial exemption from the additional tax; or
 - c) revise the amount of the tax refundable as an implementation of the provisions of Article (33) of the Law or reject such revision.

The lapse of the period specified for issuing a decision on the objection without having such a decision issued shall be regarded as an implied decision of rejection of the objection

The Secretary General may call for the attendance of the Director or the Principal Officer of the Company for discussion before taking a decision on the objection if he deemed it necessary.

Section 2:

Article 46 (*The Contestation submitted to the Tax Committee*)

- 1) Any company may contest against any explicit or implied decision issued by the Secretary General on an objection under Article (45) of this Law. Such contestation shall be submitted to the President of the Tax Committee.
- 2) The contestation must be submitted in writing and must include the company's claims and the reasons supporting such claims in detail. Submission of the contestation shall be within a period of 45 days as from the date of notification of the decision issued on the objection or the date of expiry of the period specified for issuing a decision on the objection without issuing a decision for it.
- 3) The Tax Committee may consider and decide on the contestation only if it is in

conformity with the formal conditions decided and that it is submitted within the time specified in the Law. Failure to submit the contestation in time shall result in considering the decision of the Secretary General as final.

Representation of the contestation parties before the Tax Committee shall be in accordance with the Rules specified by a decision to be issued by the Minister. Convention of the Committee's meetings shall be valid only if they are attended by the majority of its members. The decisions of the Committee shall include the reasons thereof and shall be issued by the majority of the votes. In the instance of a tie vote, the decision adopted by one side plus the President shall prevail.

- 4) The Committee shall issue its decision within a maximum period of 4 months from the date of submission of the contestation. The decision shall be issued to the limit of the company's claims either to:
 - a) confirm the Secretary General's decision issued on the objection or to revise or cancel such decision;
 - b) confirm, cancel or reduce the amount of assessment;
 - c) grant full or partial exemption from the additional tax;
 - d) revise the amount of tax refundable as an implementation of the provisions of Article (33) of the Law or reject such revision.
- 5) The decision shall be signed by the President and the Secretary of the Committee within a period not exceeding one week from the issue date. The Committee's Secretary shall notify the Secretariat General and the Company of the decision taken in accordance with the provisions of Article (7) of this Law.
- 6) The company shall bear the burden of proof of hardship in the assessment or the estimation.
- 7) The Secretariat General may, within a period not exceeding two months as from the date on which it has been notified of the Tax Committee's decision, request from the Committee to correct or amend such decision if the implementation of the Law is mistaken, otherwise the same shall be contested to the concerned court. In all instances, the company must be notified of the request of the Secretariat General and of the correction or amendment decision. The company shall have the right to

- contest such decision in accordance with the provisions of Article (47) of this Law.
- 8) Submission of the contestation shall not result in the suspension of payment of the contested tax. However, the Tax Committee may decide, as per a request made by the company, to stop totally or partially the payment of such tax where it is deemed necessary by the Committee until a decision is issued on the contestation. Where payment is decided to be stopped, the company may be requested to provide the guarantees which are deemed necessary by the Committee.

Section 3: Tax Suits

Article 47 (Court of Competent Jurisdiction and Necessary Procedures)

- 1) Any company may file to the Court of Competent Jurisdiction a tax suit as a contestation against the decision issued under Article (46 para 4) of this Law whichever the amount of the contested tax.
- 2) For the purposes of this Law, the term “Court of Competent Jurisdiction” means ³⁴[the Circuit of First Instance at the Commercial Court.] {the Court assigned by this Law to consider the tax suit that is the Court of First Instance established under the Judiciary Authority Law issued by Royal Decree No. 90/99}. In all instances, the Court which is competent for consideration of the principal tax suits shall be competent to decide on all the primary issues on which the judgment on the tax suit depends and on any of its incidental claims.
- 3) Suits, requests or pleadings by virtue of the provisions of this law may be accepted only if they are made by persons who have direct, personal and existing interest established by the Law. However, the probable interest shall be sufficient for this purpose if such request is just a precaution for preventing an impending damage or for confirmation of a right the evidence for which is feared to be vanished when disputed. The Court shall spontaneously decide not to accept such request if the

³⁴ These words were substituted by the words printed next. RD 68/00, wef 15.8.2000.

conditions referred to above were not satisfied.

- 4) At the consideration and deciding on tax suits before the Court of Competent Jurisdiction, no rules and procedures other than those specified in this Law shall be followed. In cases where there are no special provisions specified therefor in this Law, the general procedural principles shall apply insofar as these principles conform with the nature of the tax suit. Conciliation or arbitration may not be made in tax suits.
- 5) The provisions of Articles (4) to (8) (Bis) (1) of the aforementioned Rules for consideration of Law suits and Arbitration Claims before the Commercial Court shall be adopted in the announcements. A copy of the announcement related to the Secretariat General shall be delivered to the Secretary General or his representative.

Article 48 *(Filing and Registration of Tax Suits)*

- 1) Suits shall be filed to the Court of Competent Jurisdiction by delivering an initiatory pleading to the Secretariat of the Court. The initiatory pleading must include the following information:
 - a) the plaintiff's name, elected domicile and place and his representative's name, title, profession or position, capacity and domicile
 - b) the defendant's name. Only the name of the government Unit as the defendant without mentioning the name of the representative thereof
 - c) the date of submission of the initiatory pleading.
 - d) facts of the suits, company's claims and reasons in support of these claims. The company must not include in its previously submitted claims others which are different from those expressed in the contestation filed to the Tax Committee. Copy of the decision issued on the contestation by virtue of Article (46) of this Law must be attached with the initiatory pleading along with copies of all documents submitted in support of the plaintiff's claims. The initiatory pleading and its documents shall be accepted only if it is written in the Arabic Language or accompanied by a

translation therefor in this language. In all instances, only the documents written in Arabic shall be valid. The initiatory pleading and its enclosures shall be submitted in an original and a copy thereof. The pleading referred to above must be signed by a lawyer who is accepted to plead before the Court in accordance with the aforementioned Law of Legal Profession whichever the amount disputed in the tax suit.

- 2) The suit must be filed to the Court of Competent Jurisdiction within a period of 45 days as from the date of notification to the company of the decision issued on the contestation filed thereby.
- 3) Failure to file the suit in time or to follow the procedures decided in Law shall result in non-acceptance of the suit in its form. The Tax Committee's decision shall, then, be regarded as final.
- 4) The Plaintiff (company) shall pay to the Secretariat of the Court the fees decided in accordance with the provisions of Article (17/1) and (1/c) and Article (18) of the aforementioned Rules for consideration of Lawsuits and Arbitration claims before the Commercial Court. In the instance of abandonment of the litigation by the company at the first session decided for considering the suit and before commencement of the pleading, only a quarter of the fees referred to above shall accrue for the suit.
- 5) After payment by the company of the fees decided, the Secretariat of the court shall register the suit in the tax suits register maintained for this purpose after having given serial numbers to the suit documents as per the sequence of their receipt by the Court. A special file shall be maintained for the suits to include the memorandums exchanged between the litigants, minutes of the Court's Sessions, judgments or decisions and all the documents related to the suit in general.
- 6) The filing of the suit shall not result in the cessation of payment of the disputed tax, however, the court may order, by virtue of a request made by the Plaintiff (the company), to cease such payment on condition that the company shall submit a bank's letter of guarantee in favour of the Ministry of Finance against the amount of

tax the payment of which is requested to be ceased and provided that such letter of guarantee shall not include any condition and must be valid until the date of issue of judgment by the court on the tax suit.

Article 49 *(Specification of the time and place of consideration of the Suite)*

- 1) The suit file shall be presented to the President of the Court, any person acting on his behalf if he is absent or to any of its judges whom the Court authorizes for initial review of the suit file in order to confirm the validity of the announcement as per the Law and to fix the time and place of consideration of the suit
- 2) The Secretariat of the Court shall serve a copy of the initial pleading and its enclosures on the defendant within one week from the date of registration of the pleading. The litigation shall be considered as held only after serving copy of its initial pleading on the defendant except if the representative thereof attended the session appointed for consideration of the Suit.
- 3) The defendant must submit a memorandum of defence within a period of 30 days from the date on which he was notified of the pleading by a copy thereof in a correct manner as specified in the Law. The memorandum of defence must be accompanied by copies of the documents and decisions maintained in the tax file of the Plaintiff company.
- 4) The time of consideration of the suit shall be fixed within a period of 30 days as from the end of the period specified in paragraph (3) of this Article. The time and place fixed for consideration of the Suit shall be notified by the Secretariat of the court to each of the litigation parties within a period of not more than one week.
- 5) In necessary cases and by virtue of a request made by the litigants in accordance with reasons mentioned in such request, the Court may issue an order to shorten the periods specified in this Article or extend such periods if the same is deemed to be necessary for establishing justice or facilitating the finalisation of the dispute.

Article 50 *(Authorization for taking temporary, precautionary and provisional*

procedures)

- 1) The Court shall have the right to order for implementing the temporary, precautionary and provisional procedures enforced in the Sultanate of Oman.
- 2) The President of the Court, any person acting on his behalf or the Court itself may decide, in any of its sessions and by virtue of a request made by the defendant, to take any of the precautionary or urgent procedures if it became obvious that there is a prompt damage threatening the defendant's interest and shall assign the concerned government authorities to execute any decision issued in this respect.
- 3) The plaintiff (company) may complain against this action before the competent Circuit in accordance with the provisions of Article (19/3) of the aforementioned Rules for consideration of Lawsuits and Arbitration claims before the Commercial Court.

Article 50 (Bis) *(Representation of the litigants during consideration of the Suit)*

- 1) The Plaintiff company shall be represented at the consideration of the tax suit by a lawyer who is accepted for pleading before the Court of Competent Jurisdiction in accordance with the aforementioned Law of Legal Profession. The lawyer must submit to the Court a Certified Power of Attorney in the first Session attended by him on behalf of the company. Where it becomes impossible for him to submit such Power of Attorney at that time due to reason accepted by the Court, he may be given an appropriate extension of time to submit the same. The attendance of the legal representative of the Company with the above-mentioned Lawyer and confirmation of such power in the Session's minutes shall be regarded as a substitute for the Certified Power of Attorney referred to above.
- 2) The defendant shall be represented before the Court by an employee thereof who is a graduate of "Sharia" (Islamic Law) or Law from an accredited University or a high institute other than the staff of the legal department as an exception from the provisions of the aforementioned Law of Legal Profession, provided that such

exception shall take effect for five years as from the date of the coming into force of this Decree. The defendant may be represented by a lawyer who is accepted to plead before the Court and who enters into contract with the defendant for such representation. In this instance an approved authorization submitted in the first session shall be satisfactory.

- 3) The representatives of the litigants shall have the power to carry out the works and the procedures necessary for following-up the suits or for the submission of defence thereon and may take the actions required on the tax suit before the issue and announcement of a judgment. The Plaintiff (company) lawyer may not admit the right claimed, give it up or abandon the litigation, object to the expert, renounce the judgment or claim the commitment of forgery without having an authorization to the same by a Special Power of Attorney.

Article 50 (Bis) (1) *(The Attendance or Absence of the Litigants)*

- 1) The litigants shall be present on the date fixed for consideration of the suit.
- 2) The Court shall judge on the suit if it is valid for consideration in the absence of the Plaintiff (company) and with the representative of the defendant being present in the first session.
- 3) If the representative of the defendant was present in any Session or that a memorandum of defence is lodged thereby at the Court, the defendant shall be deemed to be present at the consideration of the suit even if the said representative thereof is absent in other sessions. The Plaintiff may not submit, at session which is not attended by the defendant, new claims or amend the original claims. This provision shall apply without prejudice to the provisions of Article 48 1(d) of this Law.
- 4) In the event of absence of the parties of litigation, the Court may issue a judgment on the suit if it is valid for consideration, otherwise it shall be nonsuited. If the suit has remained nonsuited for a period of 60 days and no party has requested the resumption of the proceedings thereof, it shall be regarded as null and void.

- 5) The defendant may submit new pleadings in Sessions which are not attended by the Plaintiff on condition that the same shall be announced to the Plaintiff as per Article 47(5) of this Law.

Article 50 (Bis) (2) (Sessions Procedures)

- 1) The Court must allow the Plaintiff, during the first Session decided for the consideration of the Suit, to submit within a period of not more than 2 weeks a memorandum made in an original and a copy thereof including answer to the defence made by the defendant in accordance with Article (49) of this Law. The memorandum referred to above shall be attached with the documents in support thereof. The Secretariat of the Court shall serve on the defendant copies of such memorandum and its supporting documents within a period of one week from the date of submission of the Memorandum.
- 2) The Court must allow the defendant to submit within a period of not more than 2 weeks a memorandum of defence made of an original and a copy thereof including answer to the memorandum submitted by the Plaintiff in accordance with the preceding paragraph. The memorandum referred to above shall be attached with the documents in support thereof. The Secretariat of the Court shall serve on the Plaintiff copies of such memorandum and its supporting documents within a period of one week from the date of their submission.
- 3) Memorandums and their announcements shall be exchanged between the litigants in the manner referred to above until a decision is issued by the Court adjourning the Sessions to issue a judgment on the suit. The Court may allow the litigants to present verbal pleading in accordance with reasons provided by them.
- 4) In all instances, the defendant undertakes to maintain the confidentiality of the profession in respect of the profits, incomes or the statements of companies which carry on activities similar to those carried on by the Plaintiff Company.
- 5) Following the end of hearing from the litigants and the order ending the pleadings on the suit, a decision shall be issued by the court adjourning the sessions to issue a

judgment thereon. After having issued such a decision, the Court may allow the litigants to submit final memorandums of defence within a period of not more than 10 days following the date of the above mentioned decision.

Article 50 (Bis) (3) (*Sessions System*)

- 1) Sessions shall be controlled and managed by the President. Consideration of the Suits shall be in Secret Sessions and the announcement of judgments thereon shall be in an open session.
- 2) In the instance that a litigant has submitted in the first session a document which was possible for him to submit at the time fixed therefor in this Law, the Court shall accept such document if the same has not resulted in the adjournment of consideration of the suit. However, each of the defendant and the Plaintiff may submit a document in response to the defence raised by the other party. The Plaintiff may also submit a document in response to the counter claims submitted by the defendant.
- 3) The sessions of the suit may not be adjourned for more than one time due to one reason related to one of the litigants, provided that any adjournment shall not be for more than 2 weeks.
- 4) In the event of failure by any of the staff of the Court and of the Litigants to lodge documents or carry out any of the procedures of litigation at the time fixed by the Court, the Court may punish any of them by a fine of not less than RO 10.000 and not more than RO 50.000. Such punishment shall be made by an unobjectable decision confirmed in the Session's minutes. The aforementioned decision shall have the same power of enforcement as the other judgments. The Court may, instead of imposing punishment on the Plaintiff, decide to postpone the suit for a period of not more than 6 months after hearing the defendant's pleading. In the instance of lapse of the period of postponement of the suit without execution by the Plaintiff of the Court's order, the Court may issue a decision considering the Suit as null and

void.

- 5) The Court may request from the litigants to review the original copy of every document whether it has been enclosed with the initiatory pleading or with the memorandum or submitted at the time of pleading.

Article 50 (Bis) (4) (*Reasons for Abandonment of the Litigation*)

Litigation in the tax suit shall be ceased, nonsuited, expire by lapse of time and abandoned in accordance with the provisions of Article (36) Bis to 36 Bis (13) of the aforementioned Rules for consideration of Lawsuits and Arbitration claims before the Commercial Court.

Article 50 (Bis) (5) (*Rebuttals and Incidental Claims*)

- 1) Rebuttal for lack of jurisdiction, invalidity and all other rebuttals related to the procedures must be presented together before raising any claim, defence or rejection, otherwise, the right therefor shall be abated, for which does not presented.
- 2) Rebuttal for lack of jurisdiction and rebuttal for non-admissibility of consideration of the lawsuit by reason of a preceding judgment issued thereon may be presented whatever the status of the lawsuit. The Court may, then, decide spontaneously on such issue.
- 3) No other party may intervene in the tax suit and he may not be intervened therein.
- 4) The defendant may present any counter claims in the session whichever the status of the lawsuit and may also present new rebuttals or reasons which may result in keeping the original assessment unchanged.

Article 50 (Bis) (6) (*The Burden and Evidences of Proof*)

- 1) The facts required to be proved must be related and in favour of the tax suit and must be effective and acceptable.
- 2) No reasoning is required to be given for the judgments issuing the procedures for

proof except where they involve a definite judgment. The Court may change its order for proof procedures provided that it gives reason to that in the session's minutes. The Court may also admit the result of the procedure provided that giving reasons to the same in its judgment.

- 3) The burden of proof shall be born by the Plaintiff (company) in the instance of estimated or additional assessment.
- 4) The burden of proof shall be born by the defendant in case the assessment is made on the basis of the information taken from an orderly prepared books and accounts which reflect the plaintiff's actual financial position as per the generally accepted accounting principles and subject to the laws and rules in force.
- 5) The burden of proof of using deception and fraudulent means shall be born by the defendant.
- 6) Proof may be made by all evidences including written and accounting documents, viewing, presumptions and confession with the exception of oath, witnesses testimony and the other evidences which are contrary to the written nature of the procedures. If it is decided by the Court to delegate an expert he shall be entrusted the fees or deposit within 20 days and shall lodge his report within 45 days.
- 7) The Court may assign, directly or by virtue of a request made by the litigants, a litigant or another party to submit records or documents in whose hands which are beneficiary to the suit and may assign experts or other persons to carry out such task.

Article 50 (Bis) (7) (*Judgment issued on the Lawsuit*)

- 1) The Court shall promptly issue judgment on the Lawsuit.
- 2) The Court's jurisdiction shall extend to consider whether the decision issued by the Tax Committee is in accordance with the Law or contrary thereto. In general, the court while issuing judgments shall abide by the provisions of this Law and those of other Laws, Decrees and Regulations in force.
- 3) Deliberation and issue of the judgment shall be in accordance with Article (45) of

the Rules for consideration of Lawsuits and Arbitration claims before the Commercial Court Law.

- 4) In respect of the tax suit expenses, the provisions of Articles (47) and (48) of the aforementioned Rules for consideration of Lawsuits and Arbitration claims shall be followed.
- 5) For the purpose of correction of outright mistakes in the judgment and its interpretation and of decision making on reasonable claims omitted by the Court in its judgment, the provisions of articles nos. (50) and (51) and (52) of the above mentioned Rules shall be followed.
- 6) At the announcement of the judgment, the provisions of Article 47(5) of this Law shall be followed.

Article 50 (Bis) (8) (*Contestation of Judgments through the Filing of Appeals*)

- 1) The sentenced party may contest the judgment issued on the tax suit by filing an appeal against such judgment whichever the amount of tax in dispute.
- 2) ³⁵[The Appellate Circuit of the Commercial Court] {The Courts of Appeal established under the Judiciary Authority Law issued by Royal Decree No. 90/99} shall be competent for consideration of the appeals.
- 3) In the instance of contestation by the Secretariat General, the Memorandum of Pleading of the appeal shall be filed by the Secretary General or his representative. If such contestation is filed by the company, the above mentioned memorandum shall be signed by a lawyer who is acceptable for pleading before the Appellate Court in accordance with the Law of Legal Profession referred to above whichever the amount of tax in dispute.
- 4) The Secretariat General shall be exempt from the fees of the tax suit.
- 5) Submission of appeal shall not result in stopping the payment of the adjudged tax, however, the Appellate Circuit may order to stop such payment in accordance with the provisions of Article 48 (6) of this Law by virtue of a request made by the appellant company.

³⁵ These words were substituted by the words printed next. RD 68/00, wef 15.8.2000.

- 6) Representation of the Secretariat General at the consideration of appeals shall be in accordance with the provisions of Article (50) Bis (2) of this Law.
- 7) The provisions of Article 47(4) of this Law shall apply to appeals as regards the procedures and judgments.
- 8) .The provisions of Articles (46) Bis, (46) Bis (1), (46) Bis (3), (46) Bis (4), (46) Bis (5), (46) Bis (6), (46) Bis (7), (46) Bis (8), (46) Bis (11) and (46) Bis (12) of the above mentioned Rules for consideration of Lawsuits and Arbitration Claims before the Commercial Court shall be applied.

Article 50 (Bis) (9) *(Contestation by Requesting Reconsideration of the Judgment)*

The litigants may contest the final judgment by requesting the reconsideration thereof as per Articles (54) to (57) of the aforementioned Rules. Such request shall be made by a pleading to be lodged at the Secretariat of the Court in accordance with the conditions, procedures and against payment of the fees decided for Lawsuits in this Law.

Article 50 (Bis) (10) *(Execution of the Judgment issued on the Lawsuit)*

- 1) Execution of the judgment issued on the tax suit shall be made in accordance with the provisions of this Law.
- 2) The judgments issued against the company shall be executed with due regard being had to paragraphs (5), (6) and (7) of Article (26) of this Law.
- 3) Where the final judgment issued in favour of the company results in its entitlement for refund of prepaid tax or a part thereof, the Secretariat General must pay the amount due to the company within a period of 60 days as from the date of announcement of the judgment.

Chapter XII - Exceptions

Article 51 *(Provisions for exceptions)*

Notwithstanding anything contained in this Law, the Sultan may by Decree published in the Official Gazette, provide for the exemption, reduction or increase in rate or other modifications as respects liability to tax.

^{36, 37, 38, 39} **Article 51 (Bis): (Provisions for exceptions)**

- 1) Companies whose main activities are carried on in the fields of industry, agriculture, fisheries and in other essential economic sectors shall be exempt from tax as per the regulations specified by the Financial Affairs Council.
- 2) Companies registered under the Law for Organisation and Promotion of Industry referred to above may be exempt from tax for a period of five years as from the date of commencement of production and can be renewed for further period. The exemption shall be granted by a decision to be issued by the Minister on the suggestion of the Minister of Commerce & Industry after he reviews the opinion of the Industrial Development Committee.
- 3) Other Companies may be granted tax exemption by a decision to be issued by the Minister, on the suggestion of the concerned Minister, as per the regulations specified by the Financial Affairs Council.]

Article 51(Bis) (Provisions for exceptions)

- 1) ⁴⁰Companies which are mainly engaged in any of the following fields of activity shall be exempted from tax:
There shall be exempted from tax the income realized by the company from its activity being carried on in any of the following fields of business:
 - a) Industry, as per the above-mentioned Law for Organisation and Promotion of industry, and mining.
 - b) Export of locally manufactured/processed products.
 - c) Promotion of tourism including operation of hotels and tourist villages, excluding

³⁶ Article 51 (Bis) is added by Royal Decree No. 125/94, w.e.f. 1/1/1995.

³⁷ Article 2 of the Royal Decree No. 125/94 reads as follows: 'Article (3) and (4) of Royal Decree No. 21/75 referred to above and Article (19) (1-a) of the above mentioned Law for Organization and Promotion of Industry shall be considered as cancelled. All provisions in contradiction to this Decree shall also be considered as cancelled.' This amendment w.e.f. 1/1/1995, closes the tax exemptions under those two Laws.

³⁸ To be read with Article of Royal Decree No. 87/96 which reads as follows:

however the companies which have previously been exempted from tax, in accordance with the provisions of this Article 51(Bis), shall continue to be exempted up to the date of expiry of the period of exemption granted.

³⁹ Article 51 (Bis) is substituted by Royal Decree No. 87/96 with the new text w.e.f. 2/11/1996.

⁴⁰ The text of paragraph 1) is substituted with the text printed next by RD No. 54/03 w.e.f. 15.9.2003

management contracts.

- d) Agriculture-farm production, farm processing including animal husbandry, processing/manufacturing of animal products and the agricultural industries.
 - ⁴¹e) Fishing and fish processing.
 - (e) Fishing, fish processing, fish farming and pisciculture
 - f) Utilisation and performance of services such as projects for public facilities excluding management and project contracts.
 - ^{42, 43}g) University and high education carried on by private universities, colleges and high institutes which take the form of a company and incorporated pursuant to the Laws and Royal Decrees in force.
- 2) Tax exemption shall be granted for a period of five years with effect from the date of commencement of production or the date of commencement of business, as the case may be. The exemption period may be renewed in cases of necessity for a further period of not more than five years, by a decision to be issued by the Council of Financial Affairs and Energy Resources.
- 3) The Minister may issue the regulations and procedures necessary for implementing the tax exemption and renewal of exemption pursuant to the provisions of this Article.

44Article 51 (Bis) (1) (Exemption to Shipping Companies)

Without prejudice to the previously granted exemptions, the shipping companies shall be exempted from tax as follows:

- 1 Omani companies (which are wholly owned by Omani nationals or mixed companies registered in Oman): The tax exemption shall apply with effect from the tax year 2000, which begins on 1st January 2000.
- 2 Foreign companies which carry on business in Oman through an authorised agent: The tax

⁴¹ The text of sub-paragraph e) is substituted with the text printed next by RD No. 54/03 wef 15.9.2003

⁴² A new paragraph (g) was added by RD 68/00, wef 15.8.2000.

⁴³ Paragraph (g) was deleted by RD 54/03 wef 15.9.2003.

⁴⁴ A new Article was added by RD 68/00, wef 15.8.2000.

exemption shall apply with effect from the date of commencement of business on condition that reciprocal treatment is granted.

⁴⁵Article 51 Bis (2): (*Exemption decided to foreign airlines*)

The income realized by foreign airlines carrying on their business through a permanent establishment in Oman shall be exempted from tax. Such exemption shall be limited to the income arising from the operation of aircraft in international traffic and conditioned by reciprocal treatment.

The Minister shall specify the rules and procedures necessary for implementing the exemption from tax in accordance with the provisions of this Article.

⁴⁶Article 51 Bis (3): (*Exemption decided to investment funds*)

There shall be exempted from tax the income realized by the investment funds established in Oman under the aforementioned Capital Market Law, or those incorporated abroad to trade in Omani securities which are registered in Muscat Securities Market .

The Minister shall specify the rules and procedures necessary for implementing the exemption from tax in accordance with the provisions of this Article.

⁴⁷Article 51 Bis (4): (*Exemption decided to companies which are mainly engaged in the educational or medical care activities*)

There shall be exempted from tax the income realized by companies from carrying on their main activity in the university education, colleges, higher institutes, private schools, kindergartens, or training colleges and institutes or in the field of medical care through establishing private hospitals.

The Minister shall specify the rules and procedures necessary for implementing the

⁴⁵ A new Article was added by RD 54/03 wef 15.9.2003.

⁴⁶ A new Article was added by RD 54/03 wef tax year 2003.

⁴⁷ A new Article was added by RD 54/03 wef 15.9.2003.

exemption from tax in accordance with the provisions of this Article.

Chapter XIII - Rates of Tax

Article 52 *(Rates of tax)*

Subject to this Law, tax shall be computed on the taxable income of every company for each taxable year at the rate or rates specified in the Second Schedule.

Chapter XIV - Miscellaneous

Article 53 *(Power of Minister to make rules)*

The Minister may make rules for carrying out the purposes of this Law.

Article 54 *(Agreements for avoidance of double taxation)*

Notwithstanding anything contained in this Law, the Government may enter into an agreement with the government of any country outside Oman for the avoidance of double taxation of income under this Law and under the corresponding legislation in force in such country, and may by notification in the Official Gazette make such provisions as may be necessary for implementing such agreement.

FIRST SCHEDULE
Depreciation, etc. of Capital Assets
Part I --Allowances and Charges

Paragraph 1 (*Depreciation allowance*)

Depreciation allowance of a capital asset shall be computed in accordance with the provisions of this Schedule and any regulations made under Article 53.

Paragraph 2

- (1) In this Schedule
- (a) “capital assets” means any building, machinery, plant, furniture, or other tangible or intangible asset in respect of which a company is entitled to an allowance hereunder for any taxable year, or an allowance was granted to the company under the repealed enactment;
 - (b) “disposed off”, in relation to any capital asset owned by a company, means that such capital asset was sold, or that the proprietary interest of the company therein came to an end, or that the capital asset was discarded, lost, demolished, destroyed, transferred by way of exchange, or compulsorily acquired by a competent authority under any law for the time being in force, or that it ceased to be used for the purposes of the company;
 - (c) “former written down value” means the value of a capital asset owned by a company which, but for the repealed enactment, would have been the written down value of such capital asset under such repealed enactment for the purposes of ascertaining the taxable income of such company of the previous year which ended on the thirty-first day of December, 1979.
 - (d) “sale proceeds” means, in relation to
 - (i) a sale of a capital asset, the net proceeds of the sale;
 - (ii) the coming to an end of a proprietary interest in a capital asset, otherwise than

by sale, any compensation payable in respect of such asset;

(iii) the discarding of a capital asset, the scrap value thereof;

(iv) the loss, demolition or destruction of a capital asset, the net amount received for the remains of such asset, together with any insurance or salvage moneys or compensation of any kind received in respect of the loss, demolition or destruction, as the case may be;

(v) the transfer of a capital asset by way of exchange, the market value of such asset;

(vi) the compulsory acquisition of a capital asset by a competent authority under any law for the time being in force, the amount for which such capital asset was compulsorily acquired;

vii) the cessation of use of a capital asset, the market value thereof;

(e) "written down value" in relation to any capital asset for any taxable year for which the taxable income of a company is to be computed means the amount by which the capital cost thereof to such company, including any additions thereto, exceeds the total amount of any allowances granted to the company in respect of such capital asset for all taxable years prior to such taxable year.

(2) In this Schedule,

(a) any reference to a capital asset shall be deemed to include a reference to a part of such capital asset;

(b) the market value of a capital asset, if no sale has taken place, shall be determined by the Secretary General;

(c) where the income of an accounting period ending on some day other than the thirty-first day of December is deemed to be income of the taxable year in which such accounting period ends, then any reference to a taxable year shall be, construed as a reference to such accounting period:

Provided that where any allowance under this Schedule is related to a taxable year then, if such accounting period is more or less than twelve months, the amount of such deduction shall be proportionately increased or decreased, as the case may be;

(d) any reference to the cost to any company of a capital asset which is a building shall

not include the cost to such company of any machinery, plant or furniture installed therein, or of the acquisition of, or rights over, any land;

- (e) unless the context otherwise requires, references to the cost to any company do not include any sum which is deductible otherwise than under this Schedule for the purpose of ascertaining the taxable income of the company for any taxable year.

Paragraph 3 *(Annual allowance)*

- (1) Subject to this Schedule, and to the company providing any prescribed particulars, where during any taxable year any company uses for the purposes of the company a capital asset owned by the company which is of a type prescribed, a deduction, in this Schedule referred to as an “annual allowance”, shall be made in computing the taxable income of the company for such taxable year.
- (2) The annual allowance for each taxable year shall be computed in the case of any capital asset on the cost thereof to the company, and shall be an amount equal to such amount as at any time may be prescribed.

Paragraph 4 *--(Balancing allowances and balancing charges)*

- (1) Where an allowance has been granted to a company under paragraph 3 in respect of any capital asset for any taxable year, and the company has disposed off such asset, there shall be made in computing the taxable income of such company for the taxable year in which such capital asset was disposed of in allowance or charge, in this Schedule referred to as “balancing allowance” or a “balancing charge”, in the circumstances and of the amount specified in subparagraphs (2) or (3), as the case may be.
- (2) A balancing allowance shall be made where the written down value of a capital asset exceeds the amount of the sale of proceeds thereof, and shall be of an amount equal to such excess.

- (3) A balancing charge shall be made where the sale proceeds of a capital asset exceed the written down value thereof, and shall be of an amount equal to such excess

Paragraph 5 --(Restriction by reference to non-company use)

Where capital asset in respect of which any allowance would be due to a company under paragraph 3, or under subparagraph (2) of paragraph 4, is not wholly used for the purposes of such company, the allowance shall be restricted to the fair proportional part of the amount which would be allowable if such capital asset were wholly so used.

Paragraph 6 --(Special provisions relating to the cost to the company, etc.,)

- (1) In the case of a capital asset acquired by a company which had belonged to such company in a previous taxable year and
- (a) had, in such previous taxable year, been used for purposes of the company, and
 - (b) had ceased to be the property of the company at the end of such a previous taxable year by reason of transfer or otherwise,
- the cost to the company shall be deemed to be the cost to the company when the company originally acquired the capital asset plus any additions or improvements less the sum of –
- (a) all allowances granted to the company or deemed to be so granted in respect thereof under this Schedule, and.
 - (b) all allowances granted to the company under repealed enactment

Paragraph 7 -- (Written down value at the end of exemption period)

The written down value of the capital assets employed in an industrial undertaking on the last day of the period in which such undertaking is exempt from tax shall, notwithstanding such exemption, or that any prescribed particulars have not been furnished in accordance with

subparagraph (1) of paragraph 3, be calculated under this Schedule.

Paragraph 8 -- (*Prevention of double allowances*)

If a deduction is made for any taxable year under item (b) of paragraph (2) of Article 13 in respect of any capital asset no deduction shall be made under any other provision of this Law in respect of that asset in computing the taxable income for the same or any previous or subsequent taxable year.

Paragraph 9 -- (*Subsidies*)

Where the cost of any capital asset, or any proportion of such cost has been or is to be met directly or indirectly by the Government or by any person other than the owner thereof, then, for the purposes of this Schedule the cost to such owner shall be deemed to be the cost of the capital asset less the amount so met or to be met.

Rates of Depreciation Prescribed under Article 53 of the Income Tax Law

Table

<u>Capital Assets</u>	<u>Rate per annum</u>
<u>I. Buildings</u>	
(1) First-class substantial buildings of selected materials (excluding the subjects of item (3) hereof)	4% ⁴⁸
(2) a) Second-class buildings of less substantial construction (excluding the subjects of item (3) hereof)	15% ⁴⁹
b) Prefabricated buildings	15% ⁵⁰
(3) Piers, quays and jetties, pipelines, permanent ways and railways sidings	10%
⁵¹ [II. <u>Machinery, furniture and plant</u>	
Class 1 Tractors, heavy earth-moving equipment and other such heavy self-propelled machinery of a similar nature as in his discretion the Secretary General having regard to the likely usage and depreciation in any particular case, may agree	33.33%
Class 2 Other self-propelling vehicles	33.33%]
{ II Machinery, Furniture and Plant:	
Class 1 Tractors, drilling equipment or any other heavy Machinery as in his discretion the Secretary General regard them as similar in respect of their usage and depreciation	33 1/3%
Class 2 Vehicles and self-propelling machines	33 1/3% }
Class 3 Furniture	33.33%
Class 4 All other machinery, and plant (excluding aircraft, ships and scientific research assets)	15%
<u>Aircraft and ships</u>	15%
<u>The premises of a hospital or of an educational institution</u>	100%
<u>Scientific research assets</u>	100%

⁴⁸ The rate was increased from 21/2% to 4% from the year 1983.

⁴⁹ The rate was increased from 10% to 15% from the year 1983.

⁵⁰ The rate was increased from 71/2% to 15% from the year 1983.

⁵¹ These words and figures were substituted by the words and figures printed next, RD68/00, and shall apply to the taxable incomes in respect of which the assessment procedures have not been completed as on 15/8/2000.

Other intangible capital assets

Subject to the approval of the Secretary General, the useful life of such capital assets to the owner thereof.

1. Double the rate otherwise appropriate to the building will be granted if the building is in use by an industrial undertaking and is not occupied as offices, godowns and officers and employees quarters.
2. With regard to machinery and plant an extra allowance, upto a maximum of 50% of the annual allowance otherwise due, will, in respect of such assets and subject to such conditions and limitations as the Secretary General may prescribe, be allowed on account of the asset being worked on a triple shift. The amount of the allowances will be such proportion of the percentage figure referred to as the number of days on which a triple shift was worked bears to three hundred.

⁵²**SECOND SCHEDULE**

Rates of Tax

The rules referred to in Article 52 shall be on taxable income - -

<u>Exceeding</u>	<u>But not exceeding</u>	<u>The percentage shall be</u>
RO 500,000		50%
RO 400,000	500,000	45%
RO 300,000	400,000	40%
RO 200,000	300,000	35%
RO 100,000	200,000	30%
RO 75,000	100,000	25%
RO 55,000	75,000	20%
RO 35,000	55,000	15%
RO 18,000	35,000	10%
RO 5,000	18,000	5%
	5,000	Nil

1) Subject to the provisions of paragraph 2 the income tax payable by a company in respect of a taxable period shall be whichever is the less of the amounts under subparagraphs **(a)** and **(b)** below:

- a)** Compute the appropriate percentage of the taxable income of the company for the taxable period such percentage being determined in accordance with the bracket in which the income of the company falls.
- b)** Compute the appropriate percentage of the maximum of taxable income falling into the bracket immediately below that applicable to the company for the taxable period and add to the sum resulting from such computation the excess of the taxable income of the company for the taxable period over such aforesaid maximum amount of taxable income.

⁵² The Second Schedule is replaced a new Second Schedule printed next, Royal Decree No. 68/2000.

2. A company deriving income from the sale of petroleum shall be subject to the provisions of the Third Schedule be chargeable to tax upon so much of its taxable income for a taxable period as is so derived as provided in subparagraphs (a) and (b) hereunder:

(a) in respect of income derived from the sale of petroleum up to and including the 13th November 1970 at the rate of fifty percent (50%) of such taxable income.

(b) in respect of income derived from the sale of petroleum on or after the 14th November 1970 at the rate of fifty-five per cent (55%) of such taxable income.

⁵³[3. As regards Omani companies in which non-Omanis own more than 90% of their share capital, tax rates as provided for in the foregoing paragraphs of this Schedule shall apply.]

⁵⁴3. Tax rates applicable to companies which are wholly owned by Omanis are specified as follows:

--The first RO 30,000 of the taxable income is tax exempted.

--Amounts exceeding RO 30,000 shall be taxed at the rate of 12%.

⁵⁵[4. As regards Omani companies in which non-Omanis own 90% or less of their share capital , tax rates shall be fixed as follows:

A)	In case of the public joint-stock companies:	
	1. The first RO 30,000 of the taxable income	Exempt
	2. Next RO 170,000 of the taxable income	5 %
	3. In excess of the above	7.5 %

⁵⁶[The above mentioned rates will be applicable on condition that:

- 51% of the company's share capital shall be owned by Omani individuals or Omani companies. For the purpose of application of this condition, the shareholding of the branches of foreign companies shall be treated in par with that of the Omanis.

The company should have placed at least 40% of its shares for public subscription.]

{“to apply these rates, the two following conditions should available:”

⁵³ Paragraph 3 is added by Royal Decree No. 87/96, and shall take effect as from the tax year 1996 which commenced on 1st January 1996. This paragraph has been replaced by the new paragraph printed next from the tax year 1999.

⁵⁴ The new text for paragraph 3 is added by Royal Decree No. 26/99 and shall take effect as from the tax year 1999.

⁵⁵ Paragraph 4 is added by Royal Decree No. 87/96, and shall take effect as from the tax year 1996 which commenced on 1st January 1996. This paragraph is replaced by the new paragraph printed next from the tax year 1999 by Royal Decree No. 26/99.

⁵⁶ A part of paragraph (4) was substituted by Royal Decree No. 57/97 with the next following paragraphs {}w.e.f. 2.8.1997.

First: At least 51% of the Company's capital should be owned by Omani individuals or Omani companies.

For the purposes of applying this condition the contributions from the following shall be treated as Omani contribution:

- Ministries and governmental units
- Public authorities and establishments
- Pension funds for Omani citizens (whether civil or military employees of government or other Omani employees of companies or establishments).
- Investment accounts whatever is foreigners' contribution in the account.
- Branches of foreign companies and other bodies that are specified by the Minister.

Second: At least 40% of Company's shares had been offered for the public subscription except for companies which have been established before the date on which Royal Decree no. 13/89 amending the Commercial Companies Law No. 4/1974 came into force.}

In the instance of non-fulfillment of any of these conditions, the rates specified in the following paragraph (**B**) shall apply.

B) In case of other companies:	
1. The first RO 30,000 of the taxable income	Exempt
2. Next RO 100,000 of the taxable income	15%
3. Next RO 150,000 of the taxable income	20%
4. In excess of the above	25%]

⁵⁷4. For Omani Mixed Companies:

A) Public Joint Stock Companies: The tax rates applicable thereto shall be fixed as specified in Paragraph (3) of this Schedule.

B) 1. Other companies: The rates applicable on companies with Omanis forming 51% or more of the Capital thereof shall be fixed as specified in Paragraph (3) of this Schedule.

2. Tax rates applicable to companies with Omanis forming less than 51% of the capital thereof shall be specified as follows:

-The first RO 30,000	Exempt
-The subsequent RO 100,000	15%

⁵⁷ The new text for Paragraph 4 is added by Royal Decree No. 26/99 and shall take effect as from the tax year 1999.

-The next slab of RO 150,000	20%
-Income beyond RO 150,000	25%

⁵⁸4 (Bis) The tax rates applicable to Omani companies with non-Omanis holding 100% of the capital thereof shall be fixed as specified in the first paragraph and Paragraph (1) of this Schedule.

⁵⁹4 (Bis 1) For investment funds established under Capital Market Law referred to above, the tax rates specified in Paragraph(3) of this Schedule shall apply.

⁶⁰5. As regards the foreign companies which have no permanent establishments in Oman and receive royalties, fees in return for management, rent of equipment, machinery and devices or amounts in return for the transfer of technical know-how or research and development from companies or permanent establishments situated in Oman, the tax rate shall be 10% of the gross income as an exception to the tax rates and the provisions included in this Law.

The company or permanent establishment which pays any royalties, fees or the amounts specified in the foregoing paragraph shall be responsible for deducting tax from its principal and pay the same to the Secretary General according to the rules specified in a decision to be issued by the Minister. In the event of breach by the company of its obligation to deduct and pay the tax due, the procedures specified in Articles 27, 30, 31, 32 and 39 of the Law shall be applied.

⁵⁸ Paragraph 4 (Bis) is added by Royal Decree No. 26/99 and shall take effect as from the tax year 1999.

⁵⁹ Paragraph 4 (Bis 1) is added by Royal Decree No. 26/99 and shall take effect as from the tax year 1999.

⁶⁰ Paragraph (5) is added by Royal Decree No. 87/96, w.e.f. 2.11.1996.

From Tax Year 2001

For Permanent Establishments and all Omani Established Companies

⁶¹SECOND SCHEDULE

RATES OF TAX.

In implementation of the provisions of this Law, tax shall be computed on the income in accordance with rates and rules specified in the following three Paragraphs:

General Rates of Tax

1. Rates applicable to Omani companies:
 - a) ⁶²[a] Companies the share capital of which is wholly owned by Omanis: The tax rates shall be fixed as follows:
 - i) First RO 30,000 of the taxable income Exempt
 - ii) In excess of the above taxable income 12 %
 - b) ⁶³Mixed companies in which non-Omanis own 70 % or less of their share capital: The tax rates shall be fixed as per the foregoing paragraph of this Schedule.
 - c) Public Joint Stock companies (whatsoever the ratio of the shares held by Omanis or non-Omanis in the share capital thereof): The tax rates shall be fixed in accordance with the provisions of paragraph 1 (a) of this Schedule.
 - d) ⁶⁴Other companies (companies other than those specified in the foregoing sub paragraphs a), b) and c) of this Schedule: The tax rates shall be fixed in accordance with the provisions of paragraph 2 of this Schedule.]
- (a) These rates shall be fixed as follows:
 - i. The first thirty thousand Omani Rials of the taxable income zero.
 - ii. More than the above amount of the taxable income 12%.

⁶¹ New Second Schedule replaces the previous Second Schedule, Royal Decree No. 68/2000 comes into force wef 15.8.2000 with the exception stated below.

⁶² Sub-paragraphs a) to d) were substituted with the new sub-paragraphs a) and b) by RD No. 54/03 wef tax year 2003.

⁶³ The amendments at paragraph (1) – b) and d) and (2) – a) shall be applicable to the taxable incomes which are realised or arisen during any tax year beginning as from the date on which Royal Decree 68/2000 comes into force, 15.8.2000.

⁶⁴ As above

- (b) The rates specified in the foregoing paragraph (a) shall apply to the companies mentioned in Article (2) paragraph (4) (a) of this law.

These rates shall apply to companies in which the nationals of the Arab countries' Gulf Cooperation Council hold shares in the share capital thereof whether the activity carried on by the company is permitted or not under the Unified Economic Agreement of the Cooperation Council countries signed on November 11,1981 .

2. The tax rates applicable to the permanent establishments, which are supported by foreign companies and establishments:

- a) ⁶⁵The tax rates shall be fixed as follows:

1. Up to RO 5,000	---	%	Limit
2. More than RO 5,000 and up to RO 18,000	5	%	
3. More than RO 18,000 and up to RO 35,000	10	%	
4. More than RO 35,000 and up to RO 55,000	15	%	
5. More than RO 55,000 and up to RO 75,000	20	%	
6. More than RO 75,000 and up to RO 100,000	25	%	
7. More than RO 100,000	30	%	

- b) In the application of the provisions of the foregoing sub-paragraph (a) and without prejudice ⁶⁶[to the provisions of paragraph 1 (a, b, c) and paragraph 3] to the provisions of paragraphs (1) and (3) of this Schedule, the income tax due for any taxable period shall be fixed at the lesser value resulting from implementation of:

- i) The tax percentage applied for every taxable period in accordance with the bracket in which the income of the company falls.
- ii) The tax percentage applied to the maximum limit of the taxable income which falls in the bracket directly antecedent to the bracket applied to the company during the taxable period and there shall be added to the resulting amount the amount of increase in the taxable income in that taxable period over the maximum limit referred to above.

⁶⁵ As above

⁶⁶ Words in bracket are substituted by the words printed next by RD No. 54/03 wef 15.9.2003

⁶⁷c) As an exception from the provisions of the foregoing sub- paragraphs (a) and (b), tax shall be charged at the rates specified in sub- paragraph (1/a) of this schedule on the permanent establishments supported by companies incorporated in accordance with the laws in force in any of the Arab countries of the Gulf Cooperation Council or the establishments owned by the nationals of the Arab countries of the Gulf Cooperation Council whether the activity carried on by the permanent establishment is permitted on not under the Unified Economic agreement of Arab countries of the Gulf Cooperation Council signed on November 11, 1981.

Special Rates of Tax

3. Tax rates applicable to special cases:
- a) Companies deriving income from sale of petroleum: The tax rates shall be fixed, in the application of the Third Schedule of this Law, at 55% of the taxable income in respect of the income derived from the sale petroleum as from November 14, 1970 and at 50 % in respect of the income derived from the sale of petroleum up to November 13,1970.
 - b) ⁶⁸Investment funds established under Capital Market Law: The tax rate shall be fixed in accordance with the provisions of paragraph 1 (a) of this Schedule.
 - c) Foreign companies which have no permanent establishment in Oman and receive certain amounts from companies or permanent establishments situated in Oman: The tax rate shall be fixed at 10% subject to the following provisions:
 - i) The amounts referred to above include: royalties, fees in return for management, rent of equipment, machinery or devices, amounts in return for the transfer of technical know-how or the amounts in return for research and development.
 - ii) The tax shall be computed on the gross income as an exception from the provisions of this Law.
 - iii) The company or permanent establishment which pays any of the royalties, fees, rents or the amounts referred to in the foregoing sub-paragraphs c (i) shall be responsible for deducting the withholding tax and remit it to the Secretariat

⁶⁷ Paragraph 2.c) is added by RD No. 54/03 wef tax year 2003.

⁶⁸ Paragraph 3.b) is deleted by RD No. 54/03 wef 15.9.2003.

General in accordance with the rules decided in a decision to be issued by the Minister.

- iv) In the event of breach by any company or permanent establishment to its obligation of deducting the tax due and remitting it as above, the procedures specified in Articles 27, 30, 31, 32 and 39 of the Law shall be enforced.

Also refer to Royal Decree No. 5/94, Amendments to the Law of Muscat Securities Market, which reads as follows. Please also refer to the Article 51 Bis (3) above.

Article 5

For taxation purposes, the Investment accounts shall be treated as companies* wholly owned by Omani nationals, and the taxation status of those companies shall not be affected by trading their shares within the Investment Account to non-Omanis. (* The term 'companies' means the investment accounts.)

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THIRD SCHEDULE

Special provisions relating to Oil Companies

Paragraph 1

Any company deriving taxable income from the sale of petroleum may, in computing the tax payable thereon in respect of any taxable year, reduce such taxable income by an amount equal to any amount paid by such company to the Sultanate in such taxable year; and for the purposes of such computation the total amounts so paid to the Sultanate may be those made by the company or any other company associated with it, attributable to the petroleum the sale of which has given rise to the taxable income:

Provided that - no amount so paid shall be deductible more than once.

Paragraph (2)

Any company shall for the purposes of paragraph (1) be deemed to be associated with another company if the business of both companies as carried on in Oman consists mainly in the production of or in dealing in petroleum and if the companies have in the relevant taxable period traded with each other in Oman in the ordinary course of the carrying on of their business; provided, however, that this shall be without prejudice to any association which may exist between one company and any other company by reason of shares of one such company being held directly or indirectly by the other or by reason of shares on both companies being held directly or indirectly by some third person.

Paragraph (3)

For the purposes of paragraph 1 of this Schedule “payments to the Sultanate” in relation to petroleum shall exclude royalties on crude oil at the applicable posted price of all crude oil produced within Oman and shall include the total of all other royalties and all taxes shall include the total of all other royalties and all taxes (other than income tax under this Law and

vehicle tax), duties, imposts and other exaction of a like nature which accrue to or are received by the Sultanate in the relevant taxable year in connection with the carrying on of the business of producing petroleum in Oman for sale or of dealing in petroleum so produced.

THE FOURTH SCHEDULE
Transitional Provisions and Repeals

Paragraph 1

If an agreement between His Majesty the Sultan of Oman and any other party prescribes that the provisions of such agreement shall be subject to the provisions of the Income Tax Decree of 1971 either in whole or in part, then it shall be stipulated that such provisions shall govern the said agreement throughout the period during which the said agreement remains in force (the implementation of the provision of the Decree of Income Tax of 1971 in whole or in part shall be according to the prescriptions of the agreement throughout the period in which it is in force.

Paragraph 2

Without prejudice to the provisions of Royal Decree No.21/75 and Royal Decree No. 65/77 herein before mentioned and any particulars legal provision which conflicts with the provisions of this Law the Decree of Income Tax of 1971 shall be repealed.

Paragraph 3

Income chargeable to tax the procedures of assessment in relation to which have not been completed at the date on which this Law comes into effect shall be subject to the provisions of this Law.

Monday, January 05, 2004
Sunday, September 21, 2003
Tuesday, March 30, 2004